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
PERSONAL RESPONSIBILITY
AND WORK OPPORTUNITY
RECONCILIATION ACT
OF 1996

H.R. 3734
PUBLIC LAW 104-193
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Volume 13 of 19

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DEBATES, AND ACT

Social Security Administration
Office of the Deputy Commissioner for
Legislation and Congressional Affairs
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This 19-volume compilation contains historical documents pertaining to P.L. 104-193, the "Personal Responsibility and Work Opportunity Act of 1996."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.
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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)


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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.

1. 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.


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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
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To provide for reconciliation pursuant to section 202(a) of the concurrent resolution on the budget for fiscal year 1997.

IN THE SENATE OF THE UNITED STATES

JULY 16, 1996

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 202(a) of the concurrent resolution on the budget for fiscal year 1997. 

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 “Personal Responsibili- 
5 ty, Work Opportunity, and Medicaid Restructuring Act 
6 of 1996”.
TITLE I—AGRICULTURE AND RELATED PROVISIONS

SEC. 1001. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This title may be cited as the “Agricultural Reconciliation Act of 1996”.

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

Sec. 1001. Short title; table of contents.

Subtitle A—Food Stamps and Commodity Distribution

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Sec. 1254. State administrative expenses.
Sec. 1255. Regulations.
Subtitle A—Food Stamps and Commodity Distribution

CHAPTER 1—FOOD STAMP PROGRAM

SEC. 1111. DEFINITION OF CERTIFICATION PERIOD.

Section 3(c) of the Food Stamp Act of 1977 (7 U.S.C. 2012(c)) is amended by striking “Except as provided” and all that follows and inserting the following: “The certification period shall not exceed 12 months, except that the certification period may be up to 24 months if all adult household members are elderly or disabled. A State agency shall have at least 1 contact with each certified household every 12 months.”.

SEC. 1112. DEFINITION OF COUPON.

Section 3(d) of the Food Stamp Act of 1977 (7 U.S.C. 2012(d)) is amended by striking “or type of certificate” and inserting “type of certificate, authorization card, cash or check issued in lieu of a coupon, or access device, including an electronic benefit transfer card or personal identification number,”.
SEC. 1113. TREATMENT OF CHILDREN LIVING AT HOME.

The second sentence of section 3(i) of the Food Stamp Act of 1977 (7 U.S.C. 2012(i)) is amended by striking "(who are not themselves parents living with their children or married and living with their spouses)".

SEC. 1114. ADJUSTMENT OF THRIFTY FOOD PLAN.

The second sentence of section 3(o) of the Food Stamp Act of 1977 (7 U.S.C. 2012(o)) is amended—

(1) by striking "shall (1) make" and inserting the following: "shall—

"(1) make";

(2) by striking "scale, (2) make" and inserting the following: "scale;

"(2) make";

(3) by striking "Alaska, (3) make" and inserting the following: "Alaska;

"(3) make"; and

(4) by striking "Columbia, (4) through" and all that follows through the end of the subsection and inserting the following: "Columbia; and

"(4) on October 1, 1996, and each October 1 thereafter, adjust the cost of the diet to reflect the cost of the diet in the preceding June, and round the result to the nearest lower dollar increment for each household size, except that on October 1, 1996, the
Secretary may not reduce the cost of the diet in effect on September 30, 1996.”.

SEC. 1115. DEFINITION OF HOMELESS INDIVIDUAL.

Section 3(s)(2)(C) of the Food Stamp Act of 1977 (7 U.S.C. 2012(s)(2)(C)) is amended by inserting “for not more than 90 days” after “temporary accommodation”.

SEC. 1116. STATE OPTION FOR ELIGIBILITY STANDARDS.

Section 5(b) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended by striking “(b) The Secretary” and inserting the following:

“(b) ELIGIBILITY STANDARDS.—Except as otherwise provided in this Act, the Secretary”.

SEC. 1117. EARNINGS OF STUDENTS.

Section 5(d)(7) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended by striking “21” and inserting “19”.

SEC. 1118. ENERGY ASSISTANCE.

(a) IN GENERAL.—Section 5(d) of the Food Stamp Act of 1977 (7 U.S.C. 2014(d)) is amended by striking paragraph (11) and inserting the following: “(11) a 1-time payment or allowance made under a Federal or State law for the costs of weatherization or emergency repair or replacement of an unsafe or inoperative furnace or other heating or cooling device,”.

(b) CONFORMING AMENDMENTS.—
(1) Section 5(k) of the Food Stamp Act of 1977 (7 U.S.C. 2014(k)) is amended—

(A) in paragraph (1)—

(i) in subparagraph (A), by striking "plan for aid to families with dependent children approved" and inserting "program funded"; and

(ii) in subparagraph (B), by striking "not including energy or utility-cost assistance;"

(B) in paragraph (2), by striking subparagraph (C) and inserting the following:

"(C) a payment or allowance described in subsection (d)(11);"; and

(C) by adding at the end the following:

"(4) THIRD PARTY ENERGY ASSISTANCE PAYMENTS.—

"(A) ENERGY ASSISTANCE PAYMENTS.—

For purposes of subsection (d)(1), a payment made under a Federal or State law to provide energy assistance to a household shall be considered money payable directly to the household.

"(B) ENERGY ASSISTANCE EXPENSES.—

For purposes of subsection (e)(7), an expense
paid on behalf of a household under a Federal or State law to provide energy assistance shall be considered an out-of-pocket expense incurred and paid by the household.”.

(2) Section 2605(f) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(f)) is amended—

(A) by striking “(f)(1) Notwithstanding” and inserting “(f) Notwithstanding”;

(B) in paragraph (1), by striking “food stamps,”; and

(C) by striking paragraph (2).

SEC. 1119. DEDUCTIONS FROM INCOME.

(a) IN GENERAL.—Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by striking subsection (e) and inserting the following:

“(e) DEDUCTIONS FROM INCOME.—

“(1) STANDARD DEDUCTION.—

“(A) IN GENERAL.—The Secretary shall allow a standard deduction for each household in the 48 contiguous States and the District of Columbia, Alaska, Hawaii, Guam, and the Virgin Islands of the United States of—

“(i) for fiscal year 1996, $134, $229, $189, $269, and $118, respectively;
“(ii) for fiscal year 1997, $132, $225, $186, $265, and $116, respectively; and

“(iii) for fiscal years 1998 through 2002, $122, $208, $172, $245, and $107, respectively.

“(B) ADJUSTMENT FOR INFLATION.—On October 1, 2002, and each October 1 thereafter, the Secretary shall adjust the standard deduction to the nearest lower dollar increment to reflect changes in the Consumer Price Index for all urban consumers published by the Bureau of Labor Statistics, for items other than food, for the 12-month period ending the preceding June 30.

“(2) EARNED INCOME DEDUCTION.—

“(A) DEFINITION OF EARNED INCOME.—In this paragraph, the term ‘earned income’ does not include—

“(i) income excluded by subsection (d); or

“(ii) any portion of income earned under a work supplementation or support program, as defined under section 16(b), that is attributable to public assistance.
“(B) DEDUCTION.—Except as provided in subparagraph (C), a household with earned income shall be allowed a deduction of 20 percent of all earned income to compensate for taxes, other mandatory deductions from salary, and work expenses.

“(C) EXCEPTION.—The deduction described in subparagraph (B) shall not be allowed with respect to determining an overissuance due to the failure of a household to report earned income in a timely manner.

“(3) DEPENDENT CARE DEDUCTION.—

“(A) IN GENERAL.—A household shall be entitled, with respect to expenses (other than excluded expenses described in subparagraph (B)) for dependent care, to a dependent care deduction, the maximum allowable level of which shall be $200 per month for each dependent child under 2 years of age and $175 per month for each other dependent, for the actual cost of payments necessary for the care of a dependent if the care enables a household member to accept or continue employment, or training or education that is preparatory for employment.
"(B) EXCLUDED EXPENSES.—The excluded expenses referred to in subparagraph (A) are—

"(i) expenses paid on behalf of the household by a third party;

"(ii) amounts made available and excluded, for the expenses referred to in subparagraph (A), under subsection (d)(3);

and

"(iii) expenses that are paid under section 6(d)(4).

"(4) DEDUCTION FOR CHILD SUPPORT PAYMENTS.—

"(A) IN GENERAL.—A household shall be entitled to a deduction for child support payments made by a household member to or for an individual who is not a member of the household if the household member is legally obligated to make the payments.

"(B) METHODS FOR DETERMINING AMOUNT.—The Secretary may prescribe by regulation the methods, including calculation on a retrospective basis, that a State agency shall use to determine the amount of the deduction for child support payments.
“(5) HOMELESS SHELTER ALLOWANCE.—

Under rules prescribed by the Secretary, a State agency may develop a standard homeless shelter allowance, which shall not exceed $143 per month, for such expenses as may reasonably be expected to be incurred by households in which all members are homeless individuals but are not receiving free shelter throughout the month. A State agency that develops the allowance may use the allowance in determining eligibility and allotments for the households. The State agency may make a household with extremely low shelter costs ineligible for the allowance.

“(6) EXCESS MEDICAL EXPENSE DEDUCTION.—

“(A) IN GENERAL.—A household containing an elderly or disabled member shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess medical expense deduction for the portion of the actual costs of allowable medical expenses, incurred by the elderly or disabled member, exclusive of special diets, that exceeds $35 per month.

“(B) METHOD OF CLAIMING DEDUCTION.—
“(i) IN GENERAL.—A State agency shall offer an eligible household under subparagraph (A) a method of claiming a deduction for recurring medical expenses that are initially verified under the excess medical expense deduction in lieu of submitting information on, or verification of, actual expenses on a monthly basis.

“(ii) METHOD.—The method described in clause (i) shall—

“(I) be designed to minimize the burden for the eligible elderly or disabled household member choosing to deduct the recurrent medical expenses of the member pursuant to the method;

“(II) rely on reasonable estimates of the expected medical expenses of the member for the certification period (including changes that can be reasonably anticipated based on available information about the medical condition of the member, public or private medical insurance coverage,
and the current verified medical expenses incurred by the member); and

“(III) not require further reporting or verification of a change in medical expenses if such a change has been anticipated for the certification period.

“(7) EXCESS SHELTER EXPENSE DEDUCTION.—

“(A) IN GENERAL.—A household shall be entitled, with respect to expenses other than expenses paid on behalf of the household by a third party, to an excess shelter expense deduction to the extent that the monthly amount expended by a household for shelter exceeds an amount equal to 50 percent of monthly household income after all other applicable deductions have been allowed.

“(B) MAXIMUM AMOUNT OF DEDUCTION.—

“(i) THROUGH DECEMBER 31, 1996.—

In the case of a household that does not contain an elderly or disabled individual, during the 15-month period ending Decem-
ber 31, 1996, the excess shelter expense deduction shall not exceed—

“(I) in the 48 contiguous States and the District of Columbia, $247 per month; and

“(II) in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, $429, $353, $300, and $182 per month, respectively.

“(i) AFTER DECEMBER 31, 1996.—In the case of a household that does not contain an elderly or disabled individual, after December 31, 1996, the excess shelter expense deduction shall not exceed—

“(I) in the 48 contiguous States and the District of Columbia, $342 per month; and

“(II) in Alaska, Hawaii, Guam, and the Virgin Islands of the United States, $594, $489, $415, and $252 per month, respectively.

“(C) STANDARD UTILITY ALLOWANCE.—

“(i) IN GENERAL.—In computing the excess shelter expense deduction, a State agency may use a standard utility allow-
ance in accordance with regulations pro-
mulgated by the Secretary, except that a
State agency may use an allowance that
does not fluctuate within a year to reflect
seasonal variations.

"(ii) Restrictions on Heating and
Cooling Expenses.—An allowance for a
heating or cooling expense may not be used
in the case of a household that—

"(I) does not incur a heating or
cooling expense, as the case may be;

"(II) does incur a heating or
cooling expense but is located in a
public housing unit that has central
utility meters and charges households,
with regard to the expense, only for
excess utility costs; or

"(III) shares the expense with,
and lives with, another individual not
participating in the food stamp pro-
gram, another household participating
in the food stamp program, or both,
unless the allowance is prorated be-
tween the household and the other in-
dividual, household, or both.
“(iii) MANDATORY ALLOWANCE.—

“(I) IN GENERAL.—A State agency may make the use of a standard utility allowance mandatory for all households with qualifying utility costs if—

“(aa) the State agency has developed 1 or more standards that include the cost of heating and cooling and 1 or more standards that do not include the cost of heating and cooling; and

“(bb) the Secretary finds that the standards will not result in an increased cost to the Secretary.

“(II) HOUSEHOLD ELECTION.—

A State agency that has not made the use of a standard utility allowance mandatory under subclause (I) shall allow a household to switch, at the end of a certification period, between the standard utility allowance and a deduction based on the actual utility costs of the household.
“(iv) Availability of allowance to recipients of energy assistance.—

“(I) In general.—Subject to subclause (II), if a State agency elects to use a standard utility allowance that reflects heating or cooling costs, the standard utility allowance shall be made available to households receiving a payment, or on behalf of which a payment is made, under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) or other similar energy assistance program, if the household still incurs out-of-pocket heating or cooling expenses in excess of any assistance paid on behalf of the household to an energy provider.

“(II) Separate allowance.—A State agency may use a separate standard utility allowance for households on behalf of which a payment described in subclause (I) is made, but may not be required to do so.
“(III) States not electing to use separate allowance.—A State agency that does not elect to use a separate allowance but makes a single standard utility allowance available to households incurring heating or cooling expenses (other than a household described in subclause (I) or (II) of clause (ii)) may not be required to reduce the allowance due to the provision (directly or indirectly) of assistance under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.).

“(IV) Proration of assistance.—For the purpose of the food stamp program, assistance provided under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.) shall be considered to be prorated over the entire heating or cooling season for which the assistance was provided.”.

(b) Conforming Amendment.—Section 11(e)(3) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(3)) is
amended by striking "... Under rules prescribed" and all
that follows through "... verifies higher expenses".

SEC. 1120. VEHICLE ALLOWANCE.

Section 5(g) of the Food Stamp Act of 1977 (7
U.S.C. 2014(g)) is amended by striking paragraph (2) and
inserting the following:

"(2) INCLUDED ASSETS.—

"(A) IN GENERAL.—Subject to the other
provisions of this paragraph, the Secretary
shall, in prescribing inclusions in, and exclu-
sions from, financial resources, follow the regu-
lations in force as of June 1, 1982 (other than
those relating to licensed vehicles and inacces-
sible resources).

"(B) ADDITIONAL INCLUDED ASSETS.—
The Secretary shall include in financial re-
sources—

"(i) any boat, snowmobile, or airplane
used for recreational purposes;

"(ii) any vacation home;

"(iii) any mobile home used primarily
for vacation purposes;

"(iv) subject to subparagraph (C), any
licensed vehicle that is used for household
transportation or to obtain or continue em-
ployment to the extent that the fair market value of the vehicle exceeds $4,600 through September 30, 1996, and $5,100 beginning October 1, 1996; and

"(v) any savings or retirement account (including an individual account), regardless of whether there is a penalty for early withdrawal.

"(C) EXCLUDED VEHICLES.—A vehicle (and any other property, real or personal, to the extent the property is directly related to the maintenance or use of the vehicle) shall not be included in financial resources under this paragraph if the vehicle is—

"(i) used to produce earned income;

"(ii) necessary for the transportation of a physically disabled household member; or

"(iii) depended on by a household to carry fuel for heating or water for home use and provides the primary source of fuel or water, respectively, for the household."
SEC. 1121. VENDOR PAYMENTS FOR TRANSITIONAL HOUSING COUNTED AS INCOME.

Section 5(k)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2014(k)(2)) is amended—

(1) by striking subparagraph (F); and

(2) by redesignating subparagraphs (G) and (H) as subparagraphs (F) and (G), respectively.

SEC. 1122. SIMPLIFIED CALCULATION OF INCOME FOR THE SELF-EMPLOYED.

Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended by adding at the end the following:

“(n) SIMPLIFIED CALCULATION OF INCOME FOR THE SELF-EMPLOYED.—

“(1) IN GENERAL.—Not later than 1 year after the date of enactment of this subsection, the Secretary shall establish a procedure, designed to not increase Federal costs, by which a State may use a reasonable estimate of income excluded under subsection (d)(9) in lieu of calculating the actual cost of producing self-employment income.

“(2) INCLUSIVE OF ALL TYPES OF INCOME.—The procedure established under paragraph (1) shall allow a State to estimate income for all types of self-employment income.

“(3) DIFFERENCES FOR DIFFERENT TYPES OF INCOME.—The procedure established under para-
graph (1) may differ for different types of self-employment income.”.

SEC. 1123. DOUBLED PENALTIES FOR VIOLATING FOOD STAMP PROGRAM REQUIREMENTS.

Section 6(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)) is amended—

(1) in clause (i), by striking “six months” and inserting “1 year”; and

(2) in clause (ii), by striking “1 year” and inserting “2 years”.

SEC. 1124. DISQUALIFICATION OF CONVICTED INDIVIDUALS.

Section 6(b)(1)(iii) of the Food Stamp Act of 1977 (7 U.S.C. 2015(b)(1)(iii)) is amended—

(1) in subclause (II), by striking “or” at the end;

(2) in subclause (III), by striking the period at the end and inserting “; or”; and

(3) by inserting after subclause (III) the following:

“(IV) a conviction of an offense under subsection (b) or (c) of section 15 involving an item covered by subsection (b) or (c) of section 15 having a value of $500 or more.”.
SEC. 1125. DISQUALIFICATION.

(a) IN GENERAL.—Section 6(d) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)) is amended by striking "(d)(1) Unless otherwise exempted by the provisions" and all that follows through the end of paragraph (1) and inserting the following:

"(d) CONDITIONS OF PARTICIPATION.—

"(1) WORK REQUIREMENTS.—

"(A) IN GENERAL.—No physically and mentally fit individual over the age of 15 and under the age of 60 shall be eligible to participate in the food stamp program if the individual—

"(i) refuses, at the time of application and every 12 months thereafter, to register for employment in a manner prescribed by the Secretary;

"(ii) refuses without good cause to participate in an employment and training program established under paragraph (4), to the extent required by the State agency;

"(iii) refuses without good cause to accept an offer of employment, at a site or plant not subject to a strike or lockout at the time of the refusal, at a wage not less than the higher of—"
“(I) the applicable Federal or State minimum wage; or

“(II) 80 percent of the wage that would have governed had the minimum hourly rate under section 6(a)(1) of the Fair Labor Standards Act of 1938 (29 U.S.C. 206(a)(1)) been applicable to the offer of employment;

“(iv) refuses without good cause to provide a State agency with sufficient information to allow the State agency to determine the employment status or the job availability of the individual;

“(v) voluntarily and without good cause—

“(I) quits a job; or

“(II) reduces work effort and, after the reduction, the individual is working less than 30 hours per week; or

“(vi) fails to comply with section 20.

“(B) HOUSEHOLD INELIGIBILITY.—If an individual who is the head of a household becomes ineligible to participate in the food stamp
program under subparagraph (A), the household shall, at the option of the State agency, become ineligible to participate in the food stamp program for a period, determined by the State agency, that does not exceed the lesser of—

"(i) the duration of the ineligibility of the individual determined under subparagraph (C); or

"(ii) 180 days.

"(C) DURATION OF INELIGIBILITY.—

"(i) FIRST VIOLATION.—The first time that an individual becomes ineligible to participate in the food stamp program under subparagraph (A), the individual shall remain ineligible until the later of—

"(I) the date the individual becomes eligible under subparagraph (A);

"(II) the date that is 1 month after the date the individual became ineligible; or

"(III) a date determined by the State agency that is not later than 3
months after the date the individual became ineligible.

"(ii) SECOND VIOLATION.—The second time that an individual becomes ineligible to participate in the food stamp program under subparagraph (A), the individual shall remain ineligible until the later of—

"(I) the date the individual becomes eligible under subparagraph (A);

"(II) the date that is 3 months after the date the individual became ineligible; or

"(III) a date determined by the State agency that is not later than 6 months after the date the individual became ineligible.

"(iii) THIRD OR SUBSEQUENT VIOLATION.—The third or subsequent time that an individual becomes ineligible to participate in the food stamp program under subparagraph (A), the individual shall remain ineligible until the later of—
“(I) the date the individual becomes eligible under subparagraph (A);

“(II) the date that is 6 months after the date the individual became ineligible;

“(III) a date determined by the State agency; or

“(IV) at the option of the State agency, permanently.

“(D) ADMINISTRATION.—

“(i) GOOD CAUSE.—The Secretary shall determine the meaning of good cause for the purpose of this paragraph.

“(ii) VOLUNTARY QUIT.—The Secretary shall determine the meaning of voluntarily quitting and reducing work effort for the purpose of this paragraph.

“(iii) DETERMINATION BY STATE AGENCY.—

“(I) IN GENERAL.—Subject to subclause (II) and clauses (i) and (ii), a State agency shall determine—

“(aa) the meaning of any term used in subparagraph (A);
“(bb) the procedures for determining whether an individual is in compliance with a requirement under subparagraph (A); and

“(cc) whether an individual is in compliance with a requirement under subparagraph (A).

“(II) NOT LESS RESTRICTIVE.—A State agency may not use a meaning, procedure, or determination under subclause (I) that is less restrictive on individuals receiving benefits under this Act than a comparable meaning, procedure, or determination under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).

“(iv) STRIKE AGAINST THE GOVERNMENT.—For the purpose of subparagraph (A)(v), an employee of the Federal Government, a State, or a political subdivision of a State, who is dismissed for participating in a strike against the Federal Government, the State, or the political subdivision
of the State shall be considered to have voluntarily quit without good cause.

"(v) SELECTING A HEAD OF HOUSEHOLD.—

"(I) IN GENERAL.—For purposes of this paragraph, the State agency shall allow the household to select any adult parent of a child in the household as the head of the household if all adult household members making application under the food stamp program agree to the selection.

"(II) TIME FOR MAKING DESIGNATION.—A household may designate the head of the household under subclause (I) each time the household is certified for participation in the food stamp program, but may not change the designation during a certification period unless there is a change in the composition of the household.

"(vi) CHANGE IN HEAD OF HOUSEHOLD.—If the head of a household leaves the household during a period in which the
household is ineligible to participate in the food stamp program under subparagraph (B)—

“(I) the household shall, if otherwise eligible, become eligible to participate in the food stamp program; and

“(II) if the head of the household becomes the head of another household, the household that becomes headed by the individual shall become ineligible to participate in the food stamp program for the remaining period of ineligibility.”.

(b) CONFORMING AMENDMENT.—

(1) The second sentence of section 17(b)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2026(b)(2)) is amended by striking “6(d)(1)(i)” and inserting “6(d)(1)(A)(i)”.

(2) Section 20 of the Food Stamp Act of 1977 (7 U.S.C. 2029) is amended by striking subsection (f) and inserting the following:

“(f) DISQUALIFICATION.—An individual or a household may become ineligible under section 6(d)(1) to par-
Sec. 1126. Caretaker Exemption.

Section 6(d)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)(2)) is amended by striking subparagraph (B) and inserting the following: "(B) a parent or other member of a household with responsibility for the care of (i) a dependent child under the age of 6 or any lower age designated by the State agency that is not under the age of 1; or (ii) an incapacitated person;".

Sec. 1127. Employment and Training.

(a) In General.—Section 6(d)(4) of the Food Stamp Act of 1977 (7 U.S.C. 2015(d)(4)) is amended—

(1) by striking "(4)(A) Not later than April 1, 1987, each" and inserting the following:

"(4) Employment and Training.—

(A) In General.—

(i) Implementation.—Each";

(2) in subparagraph (A)—

(A) by inserting "work," after "skills, training,"; and

(B) by adding at the end the following:

"(ii) Statewide Workforce Development System.—Each component of an employment and training program carried
out under this paragraph shall be delivered through a statewide workforce development system, unless the component is not available locally through such a system.”;

(3) in subparagraph (B)—

(A) in the matter preceding clause (i), by striking the colon at the end and inserting the following: “, except that the State agency shall retain the option to apply employment requirements prescribed under this subparagraph to a program applicant at the time of application;”;

(B) in clause (i), by striking “with terms and conditions” and all that follows through “time of application”; and

(C) in clause (iv)—

(i) by striking subclauses (I) and (II);

and

(ii) by redesignating subclauses (III) and (IV) as subclauses (I) and (II), respectively;

(4) in subparagraph (D)—

(A) in clause (i), by striking “to which the application” and all that follows through “30 days or less”;

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(B) in clause (ii), by striking “but with re-

spect” and all that follows through “child
care”; and

(C) in clause (iii), by striking “, on the

basis of” and all that follows through “clause
(ii)” and inserting “the exemption continues to

be valid”;

(5) in subparagraph (E), by striking the third

sentence;

(6) in subparagraph (G)—

(A) by striking “(G)(i) The State” and in-
serting “(G) The State”; and

(B) by striking clause (ii);

(7) in subparagraph (H), by striking “(H)(i)
The Secretary” and all that follows through “(ii)
Federal funds” and inserting “(H) Federal funds”;

(8) in subparagraph (I)(i)(II), by striking “, or
was in operation,” and all that follows through “So-
cial Security Act” and inserting the following: “),
except that no such payment or reimbursement shall
exceed the applicable local market rate”;

(9)(A) by striking subparagraphs (K) and (L)
and inserting the following:

“(K) LIMITATION ON FUNDING.—Notwith-
standing any other provision of this paragraph,
the amount of funds a State agency uses to
carry out this paragraph (including funds used
to carry out subparagraph (I)) for participants
who are receiving benefits under a State pro-
gram funded under part A of title IV of the So-
cial Security Act (42 U.S.C. 601 et seq.) shall
not exceed the amount of funds the State agen-
zy used in fiscal year 1995 to carry out this
paragraph for participants who were receiving
benefits in fiscal year 1995 under a State pro-
gram funded under part A of title IV of the Act
(42 U.S.C. 601 et seq.).”; and
(B) by redesignating subparagraphs (M) and
(N) as subparagraphs (L) and (M), respectively; and
(10) in subparagraph (L), as so redesignated—
(A) by striking “(L)(i) The Secretary” and
inserting “(L) The Secretary”; and
(B) by striking clause (ii).
(b) FUNDING.—Section 16(h) of the Food Stamp Act
of 1977 (7 U.S.C. 2025(h)) is amended by striking
“(h)(1)(A) The Secretary” and all that follows through
the end of paragraph (1) and inserting the following:
“(h) FUNDING OF EMPLOYMENT AND TRAINING
PROGRAMS.—
“(1) IN GENERAL.—
“(A) AMOUNTS.—To carry out employment and training programs, the Secretary shall reserve for allocation to State agencies from funds made available for each fiscal year under section 18(a)(1) the amount of—

“(i) for fiscal year 1996, $75,000,000; and

“(ii) for each of fiscal years 1997 through 2002, $85,000,000.

“(B) ALLOCATION.—The Secretary shall allocate the amounts reserved under subparagraph (A) among the State agencies using a reasonable formula (as determined by the Secretary) that gives consideration to the population in each State affected by section 6(o).

“(C) REALLOCATION.—

“(i) NOTIFICATION.—A State agency shall promptly notify the Secretary if the State agency determines that the State agency will not expend all of the funds allocated to the State agency under subparagraph (B).

“(ii) REALLOCATION.—On notification under clause (i), the Secretary shall reallocate the funds that the State agency will
not expend as the Secretary considers appropriate and equitable.

“(D) MINIMUM ALLOCATION.—Notwithstanding subparagraphs (A) through (C), the Secretary shall ensure that each State agency operating an employment and training program shall receive not less than $50,000 for each fiscal year.”.

(c) ADDITIONAL MATCHING FUNDS.—Section 16(h)(2) of the Food Stamp Act of 1977 (7 U.S.C. 2025(h)(2)) is amended by inserting before the period at the end the following: “, including the costs for case management and casework to facilitate the transition from economic dependency to self-sufficiency through work”.

(d) REPORTS.—Section 16(h) of the Food Stamp Act of 1977 (7 U.S.C. 2025(h)) is amended—

(1) in paragraph (5)—

(A) by striking “(5)(A) The Secretary” and inserting “(5) The Secretary”; and

(B) by striking subparagraph (B); and

(2) by striking paragraph (6).

SEC. 1128. FOOD STAMP ELIGIBILITY.

The third sentence of section 6(f) of the Food Stamp Act of 1977 (7 U.S.C. 2015(f)) is amended by inserting “, at State option,” after “less”.

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SEC. 1129. COMPARABLE TREATMENT FOR DISQUALIFICATION.

(a) IN GENERAL.—Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015) is amended by adding at the end the following:

"(i) COMPARABLE TREATMENT FOR DISQUALIFICATION.—

"(1) IN GENERAL.—If a disqualification is imposed on a member of a household for a failure of the member to perform an action required under a Federal, State, or local law relating to a means-tested public assistance program, the State agency may impose the same disqualification on the member of the household under the food stamp program.

"(2) RULES AND PROCEDURES.—If a disqualification is imposed under paragraph (1) for a failure of an individual to perform an action required under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the State agency may use the rules and procedures that apply under part A of title IV of the Act to impose the same disqualification under the food stamp program.

"(3) APPLICATION AFTER DISQUALIFICATION PERIOD.—A member of a household disqualified under paragraph (1) may, after the disqualification period has expired, apply for benefits under this Act

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and shall be treated as a new applicant, except that
a prior disqualification under subsection (d) shall be
considered in determining eligibility.”.

(b) STATE PLAN PROVISIONS.—Section 11(e) of the
Food Stamp Act of 1977 (7 U.S.C. 2020(e)) is amended—
(1) in paragraph (24), by striking “and” at the end;
(2) in paragraph (25), by striking the period at the end and inserting a semicolon; and
(3) by adding at the end the following:
“(26) the guidelines the State agency uses in carrying out section 6(i); and”.

(c) CONFORMING AMENDMENT.—Section 6(d)(2)(A)
is amended by striking “that is comparable to a require-
ment of paragraph (1)”.

SEC. 1130. DISQUALIFICATION FOR RECEIPT OF MULTIPLE
FOOD STAMP BENEFITS.

Section 6 of the Food Stamp Act of 1977 (7 U.S.C.
2015), as amended by section 1129, is amended by adding at the end the following:
“(j) DISQUALIFICATION FOR RECEIPT OF MULTIPLE FOOD STAMP BENEFITS.—An individual shall be ineligible to participate in the food stamp program as a member of any household for a 10-year period if the individual is
found by a State agency to have made, or is convicted in a Federal or State court of having made, a fraudulent statement or representation with respect to the identity or place of residence of the individual in order to receive multiple benefits simultaneously under the food stamp program.”.

SEC. 1131. DISQUALIFICATION OF FLEEING FELONS.

Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1130, is amended by adding at the end the following:

“(k) DISQUALIFICATION OF FLEEING FELONS.—No member of a household who is otherwise eligible to participate in the food stamp program shall be eligible to participate in the program as a member of that or any other household during any period during which the individual is—

“(1) fleeing to avoid prosecution, or custody or confinement after conviction, under the law of the place from which the individual is fleeing, for a crime, or attempt to commit a crime, that is a felony under the law of the place from which the individual is fleeing or that, in the case of New Jersey, is a high misdemeanor under the law of New Jersey; or

“(2) violating a condition of probation or parole imposed under a Federal or State law.”.
SEC. 1132. COOPERATION WITH CHILD SUPPORT AGENCIES.

Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1131, is amended by adding at the end the following:

"(1) CUSTODIAL PARENT'S COOPERATION WITH CHILD SUPPORT AGENCIES.—

"(1) IN GENERAL.—At the option of a State agency, subject to paragraphs (2) and (3), no natural or adoptive parent or other individual (collectively referred to in this subsection as ‘the individual’) who is living with and exercising parental control over a child under the age of 18 who has an absent parent shall be eligible to participate in the food stamp program unless the individual cooperates with the State agency administering the program established under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.)—

"(A) in establishing the paternity of the child (if the child is born out of wedlock); and

"(B) in obtaining support for—

"(i) the child; or

"(ii) the individual and the child.

"(2) GOOD CAUSE FOR NONCOOPERATION.—Paragraph (1) shall not apply to the individual if good cause is found for refusing to cooperate, as determined by the State agency in accordance with
standards prescribed by the Secretary in consultation with the Secretary of Health and Human Services. The standards shall take into consideration circumstances under which cooperation may be against the best interests of the child.

“(3) FEES.—Paragraph (1) shall not require the payment of a fee or other cost for services provided under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.).

“(m) NONCUSTODIAL PARENT’S COOPERATION WITH CHILD SUPPORT AGENCIES.—

“(1) IN GENERAL.—At the option of a State agency, subject to paragraphs (2) and (3), a putative or identified noncustodial parent of a child under the age of 18 (referred to in this subsection as ‘the individual’) shall not be eligible to participate in the food stamp program if the individual refuses to cooperate with the State agency administering the program established under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.)—

“(A) in establishing the paternity of the child (if the child is born out of wedlock); and

“(B) in providing support for the child.

“(2) REFUSAL TO COOPERATE.—
“(A) GUIDELINES.—The Secretary, in consultation with the Secretary of Health and Human Services, shall develop guidelines on what constitutes a refusal to cooperate under paragraph (1).

“(B) PROCEDURES.—The State agency shall develop procedures, using guidelines developed under subparagraph (A), for determining whether an individual is refusing to cooperate under paragraph (1).

“(3) FEES.—Paragraph (1) shall not require the payment of a fee or other cost for services provided under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.).

“(4) PRIVACY.—The State agency shall provide safeguards to restrict the use of information collected by a State agency administering the program established under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.) to purposes for which the information is collected.”.

SEC. 1133. DISQUALIFICATION RELATING TO CHILD SUPPORT ARREARS.

Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1132, is amended by adding at the end the following:
“(n) DISQUALIFICATION FOR CHILD SUPPORT ARREARS.—

“(1) IN GENERAL.—At the option of a State agency, no individual shall be eligible to participate in the food stamp program as a member of any household during any month that the individual is delinquent in any payment due under a court order for the support of a child of the individual.

“(2) EXCEPTIONS.—Paragraph (1) shall not apply if—

“(A) a court is allowing the individual to delay payment; or

“(B) the individual is complying with a payment plan approved by a court or the State agency designated under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.) to provide support for the child of the individual.”.

SEC. 1134. WORK REQUIREMENT.

(a) IN GENERAL.—Section 6 of the Food Stamp Act of 1977 (7 U.S.C. 2015), as amended by section 1133, is amended by adding at the end the following:

“(o) WORK REQUIREMENT.—

“(1) DEFINITION OF WORK PROGRAM.—In this subsection, the term ‘work program’ means—
“(A) a program under the Job Training Partnership Act (29 U.S.C. 1501 et seq.); “(B) a program under section 236 of the Trade Act of 1974 (19 U.S.C. 2296); or “(C) a program of employment or training operated or supervised by a State or political subdivision of a State that meets standards approved by the Governor of the State, including a program under subsection (d)(4), other than a job search program or a job search training program.

“(2) WORK REQUIREMENT.—Subject to the other provisions of this subsection, no individual shall be eligible to participate in the food stamp program as a member of any household if, during the preceding 12-month period, the individual received food stamp benefits for not less than 4 months during which the individual did not—

“(A) work 20 hours or more per week, averaged monthly;

“(B) participate in and comply with the requirements of a work program for 20 hours or more per week, as determined by the State agency;
“(C) participate in and comply with the requirements of a program under section 20 or a comparable program established by a State or political subdivision of a State; or

“(D) receive an exemption under paragraph (6).

“(3) EXCEPTION.—Paragraph (2) shall not apply to an individual if the individual is—

“(A) under 18 or over 50 years of age;

“(B) medically certified as physically or mentally unfit for employment;

“(C) a parent or other member of a household with responsibility for a dependent child;

“(D) otherwise exempt under subsection (d)(2); or

“(E) a pregnant woman.

“(4) WAIVER.—

“(A) IN GENERAL.—On the request of a State agency, the Secretary may waive the applicability of paragraph (2) to any group of individuals in the State if the Secretary makes a determination that the area in which the individuals reside—

“(i) has an unemployment rate of over 10 percent; or
“(ii) does not have a sufficient number of jobs to provide employment for the individuals.

“(B) RESPONSE.—The Secretary shall respond to a request made pursuant to subparagraph (A) not later than 15 days after the State agency makes the request.

“(C) REPORT.—The Secretary shall report the basis for a waiver under subparagraph (A) to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.

“(5) SUBSEQUENT ELIGIBILITY.—

“(A) IN GENERAL.—An individual shall become eligible to participate in the food stamp program if, during a 30-day period, the individual—

“(i) works 80 or more hours;

“(ii) participates in and complies with the requirements of a work program for 80 or more hours, as determined by a State agency; or

“(iii) participates in and complies with the requirements of a program under section 20 or a comparable program estab-
lished by a State or political subdivision of a State.

“(B) AFTER BECOMING ELIGIBLE.—An individual shall remain subject to paragraph (2) during any 12-month period subsequent to becoming eligible to participate in the food stamp program under subparagraph (A), except that the term ‘preceding 12-month period’ in paragraph (2) shall mean the preceding period beginning on the date the individual most recently satisfied the requirements of subparagraph (A).

“(6) STATE AGENCY EXEMPTIONS.—

“(A) IN GENERAL.—A State agency may exempt an individual for purposes of paragraph (2)(D)—

“(i) by reason of hardship; or

“(ii) if the individual participates in and complies with the requirements of a program of job search or job search training under clauses (i) or (ii) of subsection (d)(4)(B) that requires an average of not less than 20 hours per week of participation.

“(B) LIMITATION ON HARDSHIP EXEMPTION.—The average monthly number of individ-
uals receiving benefits due to a hardship exemption granted by a State agency under subparagraph (A)(i) for a fiscal year may not exceed 10 percent of the average monthly number of individuals receiving allotments during the fiscal year in the State who are not exempt from the requirements of this subsection under paragraph (3) or (4).

"(C) LIMITATION ON JOB SEARCH EXEMPTION.—A State agency may not exempt an individual under subparagraph (A)(ii) for more than 1 month during any 12-month period."

(b) TRANSITION PROVISION.—During the 1-year period beginning on the date of enactment of this Act, the term "preceding 12-month period" in section 6(o) of the Food Stamp Act of 1977, as added by subsection (a), means the preceding period that begins on the date of enactment of this Act.

SEC. 1135. ENCOURAGEMENT OF ELECTRONIC BENEFIT TRANSFER SYSTEMS.

(a) IN GENERAL.—Section 7(i) of the Food Stamp Act of 1977 (7 U.S.C. 2016(i)) is amended—

(1) by striking paragraph (1) and inserting the following:

"(1) ELECTRONIC BENEFIT TRANSFERS.—
“(A) IMPLEMENTATION.—Not later than October 1, 2002, each State agency shall implement an electronic benefit transfer system under which household benefits determined under section 8(a) or 26 are issued from and stored in a central databank, unless the Secretary provides a waiver for a State agency that faces unusual barriers to implementing an electronic benefit transfer system.

“(B) TIMELY IMPLEMENTATION.—Each State agency is encouraged to implement an electronic benefit transfer system under subparagraph (A) as soon as practicable.

“(C) STATE FLEXIBILITY.—Subject to paragraph (2), a State agency may procure and implement an electronic benefit transfer system under the terms, conditions, and design that the State agency considers appropriate.

“(D) OPERATION.—An electronic benefit transfer system should take into account generally accepted standard operating rules based on—

“(i) commercial electronic funds transfer technology;
“(ii) the need to permit interstate operation and law enforcement monitoring; and

“(iii) the need to permit monitoring and investigations by authorized law enforcement agencies.”;

(2) in paragraph (2)—

(A) by striking “effective no later than April 1, 1992,”;

(B) in subparagraph (A)—

(i) by striking “, in any 1 year,”; and

(ii) by striking “on-line”;

(C) by striking subparagraph (D) and inserting the following:

“(D)(i) measures to maximize the security of a system using the most recent technology available that the State agency considers appropriate and cost effective and which may include personal identification numbers, photographic identification on electronic benefit transfer cards, and other measures to protect against fraud and abuse; and

“(ii) effective not later than 2 years after the date of enactment of this clause, to the extent practicable, measures that permit a system
to differentiate items of food that may be ac-
quired with an allotment from items of food
that may not be acquired with an allotment;”;

(D) in subparagraph (G), by striking
“and” at the end;

(E) in subparagraph (H), by striking the
period at the end and inserting “; and”; and

(F) by adding at the end the following:
“(I) procurement standards.”; and

(3) by adding at the end the following:
“(7) REPLACEMENT OF BENEFITS.—Regula-
tions issued by the Secretary regarding the replace-
ment of benefits and liability for replacement of ben-
efits under an electronic benefit transfer system
shall be similar to the regulations in effect for a
paper-based food stamp issuance system.

“(8) REPLACEMENT CARD FEE.—A State agen-
cy may collect a charge for replacement of an elec-
tronic benefit transfer card by reducing the monthly
allotment of the household receiving the replacement
card.

“(9) OPTIONAL PHOTOGRAPHIC IDENTIFICA-
tion.—
“(A) IN GENERAL.—A State agency may
require that an electronic benefit card contain
a photograph of 1 or more members of a household.

"(B) OTHER AUTHORIZED USERS.—If a State agency requires a photograph on an electronic benefit card under subparagraph (A), the State agency shall establish procedures to ensure that any other appropriate member of the household or any authorized representative of the household may utilize the card.

"(10) APPLICABLE LAW.—Disclosures, protections, responsibilities, and remedies established by the Federal Reserve Board under section 904 of the Electronic Fund Transfer Act (15 U.S.C. 1693b) shall not apply to benefits under this Act delivered through any electronic benefit transfer system."

(b) SENSE OF CONGRESS.—It is the sense of Congress that a State that operates an electronic benefit transfer system under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) should operate the system in a manner that is compatible with electronic benefit transfer systems operated by other States.

SEC. 1136. VALUE OF MINIMUM ALLOTMENT.

The proviso in section 8(a) of the Food Stamp Act of 1977 (7 U.S.C. 2017(a)) is amended by striking ‘‘, and shall be adjusted’’ and all that follows through ‘‘$5’’.
SEC. 1137. BENEFITS ON RECERTIFICATION.

Section 8(c)(2)(B) of the Food Stamp Act of 1977 (7 U.S.C. 2017(c)(2)(B)) is amended by striking "of more than one month".

SEC. 1138. OPTIONAL COMBINED ALLOTMENT FOR EXPEDITED HOUSEHOLDS.

Section 8(c) of the Food Stamp Act of 1977 (7 U.S.C. 2017(c)) is amended by striking paragraph (3) and inserting the following:

"(3) OPTIONAL COMBINED ALLOTMENT FOR EXPEDITED HOUSEHOLDS.—A State agency may provide to an eligible household applying after the 15th day of a month, in lieu of the initial allotment of the household and the regular allotment of the household for the following month, an allotment that is equal to the total amount of the initial allotment and the first regular allotment. The allotment shall be provided in accordance with section 11(e)(3) in the case of a household that is not entitled to expedited service and in accordance with paragraphs (3) and (9) of section 11(e) in the case of a household that is entitled to expedited service.".
SEC. 1139. FAILURE TO COMPLY WITH OTHER MEANS-TESTED PUBLIC ASSISTANCE PROGRAMS.

Section 8 of the Food Stamp Act of 1977 (7 U.S.C. 2017) is amended by striking subsection (d) and inserting the following:

"(d) REDUCTION OF PUBLIC ASSISTANCE BENEFITS.—

"(1) IN GENERAL.—If the benefits of a household are reduced under a Federal, State, or local law relating to a means-tested public assistance program for the failure of a member of the household to perform an action required under the law or program, for the duration of the reduction—

"(A) the household may not receive an increased allotment as the result of a decrease in the income of the household to the extent that the decrease is the result of the reduction; and

"(B) the State agency may reduce the allotment of the household by not more than 25 percent.

"(2) RULES AND PROCEDURES.—If the allotment of a household is reduced under this subsection for a failure to perform an action required under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), the State agency may use the rules and procedures that apply under part A of title
IV of the Act to reduce the allotment under the food
stamp program.”.

SEC. 1140. ALLOTMENTS FOR HOUSEHOLDS RESIDING IN
CENTERS.

Section 8 of the Food Stamp Act of 1977 (7 U.S.C.
2017) is amended by adding at the end the following:
“(f) ALLOTMENTS FOR HOUSEHOLDS RESIDING IN
CENTERS.—

“(1) IN GENERAL.—In the case of an individual
who resides in a center for the purpose of a drug or
alcoholic treatment program described in the last
sentence of section 3(i), a State agency may provide
an allotment for the individual to—

“(A) the center as an authorized represent-
ative of the individual for a period that is less
than 1 month; and

“(B) the individual, if the individual leaves
the center.

“(2) DIRECT PAYMENT.—A State agency may
require an individual referred to in paragraph (1) to
designate the center in which the individual resides
as the authorized representative of the individual for
the purpose of receiving an allotment.”.
SEC. 1141. CONDITION PRECEDENT FOR APPROVAL OF RETAIL FOOD STORES AND WHOLESALE FOOD CONCERNS.

Section 9(a)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)(1)) is amended by adding at the end the following: "No retail food store or wholesale food concern of a type determined by the Secretary, based on factors that include size, location, and type of items sold, shall be approved to be authorized or reauthorized for participation in the food stamp program unless an authorized employee of the Department of Agriculture, a designee of the Secretary, or, if practicable, an official of the State or local government designated by the Secretary has visited the store or concern for the purpose of determining whether the store or concern should be approved or reauthorized, as appropriate."

SEC. 1142. AUTHORITY TO ESTABLISH AUTHORIZATION PERIODS.

Section 9(a) of the Food Stamp Act of 1977 (7 U.S.C. 2018(a)) is amended by adding at the end the following:

"(3) AUTHORIZATION PERIODS.—The Secretary shall establish specific time periods during which authorization to accept and redeem coupons, or to redeem benefits through an electronic benefit transfer..."
system, shall be valid under the food stamp pro-
gram.”.

SEC. 1143. INFORMATION FOR VERIFYING ELIGIBILITY FOR
AUTHORIZATION.

Section 9(c) of the Food Stamp Act of 1977 (7
U.S.C. 2018(c)) is amended—

(1) in the first sentence, by inserting “, which
may include relevant income and sales tax filing doc-
uments,” after “submit information”; and

(2) by inserting after the first sentence the fol-
lowing: “The regulations may require retail food
stores and wholesale food concerns to provide writ-
ten authorization for the Secretary to verify all rel-
evant tax filings with appropriate agencies and to
obtain corroborating documentation from other
sources so that the accuracy of information provided
by the stores and concerns may be verified.”.

SEC. 1144. WAITING PERIOD FOR STORES THAT FAIL TO
MEET AUTHORIZATION CRITERIA.

Section 9(d) of the Food Stamp Act of 1977 (7
U.S.C. 2018(d)) is amended by adding at the end the fol-
lowing: “A retail food store or wholesale food concern that
is denied approval to accept and redeem coupons because
the store or concern does not meet criteria for approval
established by the Secretary may not, for at least 6
months, submit a new application to participate in the program. The Secretary may establish a longer time period under the preceding sentence, including permanent disqualification, that reflects the severity of the basis of the denial.”.

SEC. 1145. OPERATION OF FOOD STAMP OFFICES.

Section 11 of the Food Stamp Act of 1977 (7 U.S.C. 2020), as amended by sections 1119(b) and 1129(b), is amended—

(1) in subsection (e)—

(A) by striking paragraph (2) and inserting the following:

“(2)(A) that the State agency shall establish procedures governing the operation of food stamp offices that the State agency determines best serve households in the State, including households with special needs, such as households with elderly or disabled members, households in rural areas with low-income members, homeless individuals, households residing on reservations, and households in areas in which a substantial number of members of low-income households speak a language other than English.

“(B) In carrying out subparagraph (A), a State agency—
“(i) shall provide timely, accurate, and fair service to applicants for, and participants in, the food stamp program;

“(ii) shall develop an application containing the information necessary to comply with this Act;

“(iii) shall permit an applicant household to apply to participate in the program on the same day that the household first contacts a food stamp office in person during office hours;

“(iv) shall consider an application that contains the name, address, and signature of the applicant to be filed on the date the applicant submits the application;

“(v) shall require that an adult representative of each applicant household certify in writing, under penalty of perjury, that—

“(I) the information contained in the application is true; and

“(II) all members of the household are citizens or are aliens eligible to receive food stamps under section 6(f);

“(vi) shall provide a method of certifying and issuing coupons to eligible homeless individuals, to ensure that participation in the food
stamp program is limited to eligible households; and

"(vii) may establish operating procedures that vary for local food stamp offices to reflect regional and local differences within the State.

"(C) Nothing in this Act shall prohibit the use of signatures provided and maintained electronically, storage of records using automated retrieval systems only, or any other feature of a State agency's application system that does not rely exclusively on the collection and retention of paper applications or other records.

"(D) The signature of any adult under this paragraph shall be considered sufficient to comply with any provision of Federal law requiring a household member to sign an application or statement."

(B) in paragraph (3)—

(i) by striking "shall—" and all that follows through "provide each" and inserting "shall provide each"; and

(ii) by striking "(B) assist" and all that follows through "representative of the State agency;"

(C) by striking paragraphs (14) and (25);
(D)(i) by redesignating paragraphs (15) through (24) as paragraphs (14) through (23), respectively; and
(ii) by redesignating paragraph (26), as paragraph (24); and
(2) in subsection (i)—
(A) by striking "(i) Notwithstanding" and all that follows through "(2)" and inserting the following:
"(i) APPLICATION AND DENIAL PROCEDURES.—
"(1) APPLICATION PROCEDURES.—Notwithstanding any other provision of law,"; and
(B) by striking "; (3) households" and all that follows through "title IV of the Social Security Act. No" and inserting a period and the following:
"(2) DENIAL AND TERMINATION.—Except in a case of disqualification as a penalty for failure to comply with a public assistance program rule or regulation, no".

SEC. 1146. STATE EMPLOYEE AND TRAINING STANDARDS.
Section 11(e)(6) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(6)) is amended—
(1) by striking "that (A) the" and inserting "that—"
“(A) the”;

(2) by striking “Act; (B) the” and inserting “Act; and

“(B) the”;

(3) in subparagraph (B), by striking “United States Civil Service Commission” and inserting “Office of Personnel Management”; and

(4) by striking subparagraphs (C) through (E).

SEC. 1147. EXCHANGE OF LAW ENFORCEMENT INFORMATION.

Section 11(e)(8) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(8)) is amended—

(1) by striking “that (A) such” and inserting the following: “that—

“(A) the”;

(2) by striking “law, (B) notwithstanding” and inserting the following: “law;

“(B) notwithstanding’’;

(3) by striking “Act, and (C) such” and inserting the following: “Act;

“(C) the”; and

(4) by adding at the end the following:

“(D) notwithstanding any other provision of law, the address, social security number, and, if available, photograph of any member of a
household shall be made available, on request, to any Federal, State, or local law enforcement officer if the officer furnishes the State agency with the name of the member and notifies the agency that—

"(i) the member—

"(I) is fleeing to avoid prosecution, or custody or confinement after conviction, for a crime (or attempt to commit a crime) that, under the law of the place the member is fleeing, is a felony (or, in the case of New Jersey, a high misdemeanor), or is violating a condition of probation or parole imposed under Federal or State law; or

"(II) has information that is necessary for the officer to conduct an official duty related to subclause (I);"

"(ii) locating or apprehending the member is an official duty; and

"(iii) the request is being made in the proper exercise of an official duty; and

"(E) the safeguards shall not prevent compliance with paragraph (16);"
SEC. 1148. EXPEDITED COUPON SERVICE.

Section 11(e)(9) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(9)) is amended—

1. in subparagraph (A)—
   (A) by striking “five days” and inserting “7 days”; and
   (B) by inserting “and” at the end;

2. by striking subparagraphs (B) and (C);

3. by redesignating subparagraph (D) as subparagraph (B); and

4. in subparagraph (B), as so redesignated, by striking “, (B), or (C)”.

SEC. 1149. WITHDRAWING FAIR HEARING REQUESTS.

Section 11(e)(10) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)(10)) is amended by inserting before the semicolon at the end a period and the following: “At the option of a State, at any time prior to a fair hearing determination under this paragraph, a household may withdraw, orally or in writing, a request by the household for the fair hearing. If the withdrawal request is an oral request, the State agency shall provide a written notice to the household confirming the withdrawal request and providing the household with an opportunity to request a hearing”.

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SEC. 1150. INCOME, ELIGIBILITY, AND IMMIGRATION STATUS VERIFICATION SYSTEMS.

Section 11 of the Food Stamp Act of 1977 (7 U.S.C. 2020) is amended—

(1) in subsection (e)(18), as redesignated by section 1145(1)(D)—

(A) by striking “that information is” and inserting “at the option of the State agency, that information may be”; and

(B) by striking “shall be requested” and inserting “may be requested”; and

(2) by adding at the end the following:

“(p) STATE VERIFICATION OPTION.—Notwithstanding any other provision of law, in carrying out the food stamp program, a State agency shall not be required to use an income and eligibility or an immigration status verification system established under section 1137 of the Social Security Act (42 U.S.C. 1320b–7).”.

SEC. 1151. DISQUALIFICATION OF RETAILERS WHO INTENTIONALLY SUBMIT FALSIFIED APPLICATIONS.

Section 12(b) of the Food Stamp Act of 1977 (7 U.S.C. 2021(b)) is amended—

(1) in paragraph (2), by striking “and” at the end;

(2) in paragraph (3), by striking the period at the end and inserting “; and”; and
(3) by adding at the end the following:

"(4) for a reasonable period of time to be determined by the Secretary, including permanent disqualification, on the knowing submission of an application for the approval or reauthorization to accept and redeem coupons that contains false information about a substantive matter that was a part of the application."

SEC. 1152. DISQUALIFICATION OF RETAILERS WHO ARE DISQUALIFIED UNDER THE WIC PROGRAM.

Section 12 of the Food Stamp Act of 1977 (7 U.S.C. 2021) is amended by adding at the end the following:

"(g) DISQUALIFICATION OF RETAILERS WHO ARE DISQUALIFIED UNDER THE WIC PROGRAM.—

"(1) IN GENERAL.—The Secretary shall issue regulations providing criteria for the disqualification under this Act of an approved retail food store and a wholesale food concern that is disqualified from accepting benefits under the special supplemental nutrition program for women, infants, and children established under section 17 of the Child Nutrition Act of 1966 (7 U.S.C. 1786).

"(2) TERMS.—A disqualification under paragraph (1)—
“(A) shall be for the same length of time as the disqualification from the program referred to in paragraph (1);

“(B) may begin at a later date than the disqualification from the program referred to in paragraph (1); and

“(C) notwithstanding section 14, shall not be subject to judicial or administrative review.”.

SEC. 1153. COLLECTION OF OVERISSUANCES.

(a) Collection of Overissuances.—Section 13 of the Food Stamp Act of 1977 (7 U.S.C. 2022) is amended—

(1) by striking subsection (b) and inserting the following:

“(b) Collection of Overissuances.—

“(1) In general.—Except as otherwise provided in this subsection, a State agency shall collect any overissuance of coupons issued to a household by—

“(A) reducing the allotment of the household;

“(B) withholding amounts from unemployment compensation from a member of the household under subsection (c);
“(C) recovering from Federal pay or a Federal income tax refund under subsection (d); or

“(D) any other means.

“(2) COST EFFECTIVENESS.—Paragraph (1) shall not apply if the State agency demonstrates to the satisfaction of the Secretary that all of the means referred to in paragraph (1) are not cost effective.

“(3) MAXIMUM REDUCTION ABSENT FRAUD.—If a household received an overissuance of coupons without any member of the household being found ineligible to participate in the program under section 6(b)(1) and a State agency elects to reduce the allotment of the household under paragraph (1)(A), the State agency shall not reduce the monthly allotment of the household under paragraph (1)(A) by an amount in excess of the greater of—

“(A) 10 percent of the monthly allotment of the household; or

“(B) $10.

“(4) PROCEDURES.—A State agency shall collect an overissuance of coupons issued to a household under paragraph (1) in accordance with the requirements established by the State agency for pro-
viding notice, electing a means of payment, and estab-
lishing a time schedule for payment.”; and

(2) in subsection (d)—

(A) by striking “as determined under sub-
section (b) and except for claims arising from
an error of the State agency,” and inserting “,
as determined under subsection (b)(1),”; and

(B) by inserting before the period at the
end the following: “or a Federal income tax re-
fund as authorized by section 3720A of title 31,
United States Code”.

(b) CONFORMING AMENDMENTS.—Section
11(e)(8)(C) of the Food Stamp Act of 1977 (7 U.S.C.
2020(e)(8)(C)) is amended—

(1) by striking “and excluding claims” and all
that follows through “such section”; and

(2) by inserting before the semicolon at the end
the following: “or a Federal income tax refund as
authorized by section 3720A of title 31, United
States Code”.

(c) RETENTION RATE.—The proviso of the first sen-
tence of section 16(a) of the Food Stamp Act of 1977 (7
U.S.C. 2025(a)) is amended by striking “25 percent dur-
ing the period beginning October 1, 1990” and all that
follows through “error of a State agency” and inserting
the following: "25 percent of the overissuances collected by the State agency under section 13, except those overissuances arising from an error of the State agency".

SEC. 1154. AUTHORITY TO SUSPEND STORES VIOLATING PROGRAM REQUIREMENTS PENDING ADMINISTRATIVE AND JUDICIAL REVIEW.

Section 14(a) of the Food Stamp Act of 1977 (7 U.S.C. 2023(a)) is amended—

(1) by redesignating the first through seventeenth sentences as paragraphs (1) through (17), respectively; and

(2) by adding at the end the following:

"(18) SUSPENSION OF STORES PENDING REVIEW.—Notwithstanding any other provision of this subsection, any permanent disqualification of a retail food store or wholesale food concern under paragraph (3) or (4) of section 12(b) shall be effective from the date of receipt of the notice of disqualification. If the disqualification is reversed through administrative or judicial review, the Secretary shall not be liable for the value of any sales lost during the disqualification period.".

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SEC. 1155. EXPANDED CRIMINAL FORFEITURE FOR VIOLATIONS.

(a) FORFEITURE OF ITEMS EXCHANGED IN FOOD STAMP TRAFFICKING.—The first sentence of section 15(g) of the Food Stamp Act of 1977 (7 U.S.C. 2024(g)) is amended by striking "or intended to be furnished".

(b) CRIMINAL FORFEITURE.—Section 15 of the Food Stamp Act of 1977 (7 U.S.C. 2024) is amended by adding at the end the following:

"(h) CRIMINAL FORFEITURE.—

"(1) IN GENERAL.—In imposing a sentence on a person convicted of an offense in violation of subsection (b) or (c), a court shall order, in addition to any other sentence imposed under this section, that the person forfeit to the United States all property described in paragraph (2).

"(2) PROPERTY SUBJECT TO FORFEITURE.—All property, real and personal, used in a transaction or attempted transaction, to commit, or to facilitate the commission of, a violation (other than a misdemeanor) of subsection (b) or (c), or proceeds traceable to a violation of subsection (b) or (c), shall be subject to forfeiture to the United States under paragraph (1).

"(3) INTEREST OF OWNER.—No interest in property shall be forfeited under this subsection as
the result of any act or omission established by the owner of the interest to have been committed or omitted without the knowledge or consent of the owner.

"(4) PROCEEDS.—The proceeds from any sale of forfeited property and any monies forfeited under this subsection shall be used—

"(A) first, to reimburse the Department of Justice for the costs incurred by the Department to initiate and complete the forfeiture proceeding;

"(B) second, to reimburse the Department of Agriculture Office of Inspector General for any costs the Office incurred in the law enforcement effort resulting in the forfeiture;

"(C) third, to reimburse any Federal or State law enforcement agency for any costs incurred in the law enforcement effort resulting in the forfeiture; and

"(D) fourth, by the Secretary to carry out the approval, reauthorization, and compliance investigations of retail stores and wholesale food concerns under section 9.".
SEC. 1156. LIMITATION ON FEDERAL MATCH.

Section 16(a)(4) of the Food Stamp Act of 1977 (7 U.S.C. 2025(a)(4)) is amended by inserting after the comma at the end the following: "but not including recruitment activities, ".

SEC. 1157. STANDARDS FOR ADMINISTRATION.

(a) IN GENERAL.—Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025) is amended by striking subsection (b).

(b) CONFORMING AMENDMENTS.—

(1) The first sentence of section 11(g) of the Food Stamp Act of 1977 (7 U.S.C. 2020(g)) is amended by striking "the Secretary's standards for the efficient and effective administration of the program established under section 16(b)(1) or ".

(2) Section 16(c)(1)(B) of the Food Stamp Act of 1977 (7 U.S.C. 2025(c)(1)(B)) is amended by striking "pursuant to subsection (b) ".

SEC. 1158. WORK SUPPLEMENTATION OR SUPPORT PROGRAM.

Section 16 of the Food Stamp Act of 1977 (7 U.S.C. 2025), as amended by section 1157(a), is amended by inserting after subsection (a) the following:

"(b) WORK SUPPLEMENTATION OR SUPPORT PROGRAM.—"
“(1) DEFINITION OF WORK SUPPLEMENTATION OR SUPPORT PROGRAM.—In this subsection, the term 'work supplementation or support program’ means a program under which, as determined by the Secretary, public assistance (including any benefits provided under a program established by the State and the food stamp program) is provided to an employer to be used for hiring and employing a public assistance recipient who was not employed by the employer at the time the public assistance recipient entered the program.

“(2) PROGRAM.—A State agency may elect to use an amount equal to the allotment that would otherwise be issued to a household under the food stamp program, but for the operation of this subsection, for the purpose of subsidizing or supporting a job under a work supplementation or support program established by the State.

“(3) PROCEDURE.—If a State agency makes an election under paragraph (2) and identifies each household that participates in the food stamp program that contains an individual who is participating in the work supplementation or support program—
“(A) the Secretary shall pay to the State agency an amount equal to the value of the allotment that the household would be eligible to receive but for the operation of this subsection;

“(B) the State agency shall expend the amount received under subparagraph (A) in accordance with the work supplementation or support program in lieu of providing the allotment that the household would receive but for the operation of this subsection;

“(C) for purposes of—

“(i) sections 5 and 8(a), the amount received under this subsection shall be excluded from household income and resources; and

“(ii) section 8(b), the amount received under this subsection shall be considered to be the value of an allotment provided to the household; and

“(D) the household shall not receive an allotment from the State agency for the period during which the member continues to participate in the work supplementation or support program.
“(4) OTHER WORK REQUIREMENTS.—No individ-
ual shall be excused, by reason of the fact that
a State has a work supplementation or support pro-
gram, from any work requirement under section
6(d), except during the periods in which the individ-
ual is employed under the work supplementation or
support program.

“(5) LENGTH OF PARTICIPATION.—A State
agency shall provide a description of how the public
assistance recipients in the program shall, within a
specific period of time, be moved from supplemented
or supported employment to employment that is not
supplemented or supported.

“(6) DISPLACEMENT.—A work supplementation
or support program shall not displace the employ-
ment of individuals who are not supplemented or
supported.”.

SEC. 1159. WAIVER AUTHORITY.

Section 17(b)(1) of the Food Stamp Act of 1977 (7
U.S.C. 2026(b)(1)) is amended—

(1) by redesignating subparagraph (B) as sub-
paragraph (C); and

(2) in subparagraph (A)—

(A) in the first sentence, by striking “ben-
efits to eligible households, including” and in-
serting the following: "benefits to eligible house-
holds, and may waive any requirement of this
Act to the extent necessary for the project to be
conducted.

"(B) PROJECT REQUIREMENTS.—

"(i) PROGRAM GOAL.—The Secretary
may not conduct a project under subpara-
graph (A) unless—

"(I) the project is consistent with
the goal of the food stamp program of
providing food assistance to raise lev-
els of nutrition among low-income in-
dividuals; and

"(II) the project includes an eval-
uation to determine the effects of the
project.

"(ii) PERMISSIBLE PROJECTS.—The
Secretary may conduct a project under
subparagraph (A) to—

"(I) improve program adminis-
tration;

"(II) increase the self-sufficiency
of food stamp recipients;

"(III) test innovative welfare re-
form strategies; or
“(IV) allow greater conformity with the rules of other programs than would be allowed but for this paragraph.

“(iii) RESTRICTIONS ON PERMISSIBLE PROJECTS.—If the Secretary finds that a project under subparagraph (A) would reduce benefits by more than 20 percent for more than 15 percent of households in the area subject to the project (not including any household whose benefits are reduced due to a failure to comply with work or other conduct requirements), the project—

“(I) may not include more than 15 percent of the State’s food stamp household, unless the Secretary determines that including a larger percentage of the food stamp household is justified by the nature of the project; and

“(II) shall continue for not more than 5 years after the date of implementation, unless the Secretary approves an extension requested by the State agency at any time.
“(iv) Impermissible projects.—

The Secretary may not conduct a project under subparagraph (A) that—

“(I) involves the payment of the value of an allotment in the form of cash, unless the project was approved prior to the date of enactment of this subparagraph;

“(II) has the effect of substantially transferring funds made available under this Act to services or benefits provided primarily through another public assistance program, or using the funds for any purpose other than the purchase of food, program administration, or an employment or training program;

“(III) is inconsistent with—

“(aa) the last 2 sentences of section 3(i);

“(bb) the last sentence of section 5(a), insofar as a waiver denies assistance on the basis of nonfinancial criteria to an otherwise eligible household or individ-
ual if the household or individual has not failed to comply with any work, behavioral, or other conduct requirement under this or another program;

"(ee) section 5(c)(2);

"(dd) paragraph (2)(B), (4)(F)(i), or (4)(K) of section 6(d);

"(ee) section 8(b);

"(ff) subsection (a), (c), (g), (h)(2), or (h)(3) of section 16;

"(gg) this paragraph; or

"(hh) subsection (a)(1) or (g)(1) of section 20; or

"(IV) is not limited to a specific time period.

"(v) ADDITIONAL INCLUDED PROJECTS.—Pilot or experimental projects may include";

(B) by striking “to aid to families with dependent children under part A of title IV of the Social Security Act” and inserting “are receiving assistance under a State program funded
under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)”; and

(C) by striking “coupons. The Secretary” and all that follows through “Any pilot” and inserting the following: “coupons.

“(vi) CASH PAYMENT PILOT PROJECTS.—Any pilot”.

SEC. 1160. RESPONSE TO WAIVERS.

Section 17(b)(1) of the Food Stamp Act of 1977 (7 U.S.C. 2026(b)(1)), as amended by section 1159, is amended by adding at the end the following:

“(D) RESPONSE TO WAIVERS.—

“(i) RESPONSE.—Not later than 60 days after the date of receiving a request for a waiver under subparagraph (A), the Secretary shall provide a response that—

“(I) approves the waiver request;

“(II) denies the waiver request and describes any modification needed for approval of the waiver request;

“(III) denies the waiver request and describes the grounds for the denial; or

“(IV) requests clarification of the waiver request.
“(ii) FAILURE TO RESPOND.—If the Secretary does not provide a response in accordance with clause (i), the waiver shall be considered approved, unless the approval is specifically prohibited by this Act.

“(iii) NOTICE OF DENIAL.—On denial of a waiver request under clause (i)(III), the Secretary shall provide a copy of the waiver request and a description of the reasons for the denial to the Committee on Agriculture of the House of Representatives and the Committee on Agriculture, Nutrition, and Forestry of the Senate.”

SEC. 1161. EMPLOYMENT INITIATIVES PROGRAM.

Section 17 of the Food Stamp Act of 1977 (7 U.S.C. 2026) is amended by striking subsection (d) and inserting the following:

“(d) EMPLOYMENT INITIATIVES PROGRAM.—

“(1) ELECTION TO PARTICIPATE.—

“(A) IN GENERAL.—Subject to the other provisions of this subsection, a State may elect to carry out an employment initiatives program under this subsection.

“(B) REQUIREMENT.—A State shall be eligible to carry out an employment initiatives
program under this subsection only if not less than 50 percent of the households in the State that received food stamp benefits during the summer of 1993 also received benefits under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) during the summer of 1993.

“(2) PROCEDURE.—

“(A) IN GENERAL.—A State that has elected to carry out an employment initiatives program under paragraph (1) may use amounts equal to the food stamp allotments that would otherwise be issued to a household under the food stamp program, but for the operation of this subsection, to provide cash benefits in lieu of the food stamp allotments to the household if the household is eligible under paragraph (3).

“(B) PAYMENT.—The Secretary shall pay to each State that has elected to carry out an employment initiatives program under paragraph (1) an amount equal to the value of the allotment that each household participating in the program in the State would be eligible to receive under this Act but for the operation of this subsection.
“(C) OTHER PROVISIONS.—For purposes of the food stamp program (other than this subsection)—

“(i) cash assistance under this subsection shall be considered to be an allotment; and

“(ii) each household receiving cash benefits under this subsection shall not receive any other food stamp benefit during the period for which the cash assistance is provided.

“(D) ADDITIONAL PAYMENTS.—Each State that has elected to carry out an employment initiatives program under paragraph (1) shall—

“(i) increase the cash benefits provided to each household participating in the program in the State under this subsection to compensate for any State or local sales tax that may be collected on purchases of food by the household, unless the Secretary determines on the basis of information provided by the State that the increase is unnecessary on the basis of the
limited nature of the items subject to the
State or local sales tax; and

"(ii) pay the cost of any increase in
cash benefits required by clause (i).

"(3) ELIGIBILITY.—A household shall be eligi-
table to receive cash benefits under paragraph (2) if
an adult member of the household—

"(A) has worked in unsubsidized employ-
ment for not less than the preceding 90 days;

"(B) has earned not less than $350 per
month from the employment referred to in sub-
paragraph (A) for not less than the preceding
90 days;

"(C)(i) is receiving benefits under a State
program funded under part A of title IV of the
Social Security Act (42 U.S.C. 601 et seq.); or

"(ii) was receiving benefits under a State
program funded under part A of title IV of the
Social Security Act (42 U.S.C. 601 et seq.) at
the time the member first received cash benefits
under this subsection and is no longer eligible
for the State program because of earned in-
come;
“(D) is continuing to earn not less than $350 per month from the employment referred to in subparagraph (A); and

“(E) elects to receive cash benefits in lieu of food stamp benefits under this subsection.

“(4) EVALUATION.—A State that operates a program under this subsection for 2 years shall provide to the Secretary a written evaluation of the impact of cash assistance under this subsection. The State agency, with the concurrence of the Secretary, shall determine the content of the evaluation.”

SEC. 1162. REAUTHORIZATION.


SEC. 1163. SIMPLIFIED FOOD STAMP PROGRAM.

(a) IN GENERAL.—The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) is amended by adding at the end the following:

“SEC. 26. SIMPLIFIED FOOD STAMP PROGRAM.

“(a) DEFINITION OF FEDERAL COSTS.—In this section, the term ‘Federal costs’ does not include any Federal costs incurred under section 17.
“(b) ELECTION.—Subject to subsection (d), a State may elect to carry out a Simplified Food Stamp Program (referred to in this section as a ‘Program’), statewide or in a political subdivision of the State, in accordance with this section.

“(c) OPERATION OF PROGRAM.—If a State elects to carry out a Program, within the State or a political subdivision of the State—

“(1) only households in which all members receive assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) shall receive benefits under the Program;

“(2) a household in which all members receive assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) shall automatically be eligible to participate in the Program; and

“(3) subject to subsection (f), benefits under the Program shall be determined under rules and procedures established by the State under—

“(A) a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.).
“(B) the food stamp program (other than section 27); or

“(C) a combination of a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and the food stamp program (other than section 27).

“(d) APPROVAL OF PROGRAM.—

“(1) STATE PLAN.—A State agency may not operate a Program unless the Secretary approves a State plan for the operation of the Program under paragraph (2).

“(2) APPROVAL OF PLAN.—The Secretary shall approve any State plan to carry out a Program if the Secretary determines that the plan—

“(A) complies with this section; and

“(B) contains sufficient documentation that the plan will not increase Federal costs for any fiscal year.

“(e) INCREASED FEDERAL COSTS.—

“(1) DETERMINATION.—

“(A) IN GENERAL.—The Secretary shall determine whether a Program being carried out by a State agency is increasing Federal costs under this Act.
“(B) No EXCLUDED HOUSEHOLDS.—In making a determination under subparagraph (A), the Secretary shall not require the State agency to collect or report any information on households not included in the Program.

“(C) ALTERNATIVE ACCOUNTING PERIODS.—The Secretary may approve the request of a State agency to apply alternative accounting periods to determine if Federal costs do not exceed the Federal costs had the State agency not elected to carry out the Program.

“(2) NOTIFICATION.—If the Secretary determines that the Program has increased Federal costs under this Act for any fiscal year or any portion of any fiscal year, the Secretary shall notify the State not later than 30 days after the Secretary makes the determination under paragraph (1).

“(3) ENFORCEMENT.—

“(A) CORRECTIVE ACTION.—Not later than 90 days after the date of a notification under paragraph (2), the State shall submit a plan for approval by the Secretary for prompt corrective action that is designed to prevent the Program from increasing Federal costs under this Act.
"(B) TERMINATION.—If the State does not submit a plan under subparagraph (A) or carry out a plan approved by the Secretary, the Secretary shall terminate the approval of the State agency operating the Program and the State agency shall be ineligible to operate a future Program.

"(f) RULES AND PROCEDURES.—

"(1) IN GENERAL.—In operating a Program, a State or political subdivision of a State may follow the rules and procedures established by the State or political subdivision under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) or under the food stamp program.

"(2) STANDARDIZED DEDUCTIONS.—In operating a Program, a State or political subdivision of a State may standardize the deductions provided under section 5(e). In developing the standardized deduction, the State shall consider the work expenses, dependent care costs, and shelter costs of participating households.

"(3) REQUIREMENTS.—In operating a Program, a State or political subdivision shall comply with the requirements of—
“(A) subsections (a) through (g) of section 7;

“(B) section 8(a) (except that the income of a household may be determined under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.));

“(C) subsection (b) and (d) of section 8;

“(D) subsections (a), (c), (d), and (n) of section 11;

“(E) paragraph (3) of section 11(e), to the extent that the paragraph requires that an eligible household be certified and receive an allotment for the period of application not later than 30 days after filing an application;

“(F) paragraphs (8), (12), (16), (18), (20), (24), and (25) of section 11(e);

“(G) section 11(e)(10) (or a comparable requirement established by the State under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)); and

“(H) section 16.

“(4) LIMITATION ON ELIGIBILITY.—Notwithstanding any other provision of this section, a house-
hold may not receive benefits under this section as a result of the eligibility of the household under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), unless the Secretary determines that any household with income above 130 percent of the poverty guidelines is not eligible for the program.”.

(b) **State Plan Provisions.**—Section 11(e) of the Food Stamp Act of 1977 (7 U.S.C. 2020(e)), as amended by sections 1129(b) and 1145, is amended by adding at the end the following:

“(25) if a State elects to carry out a Simplified Food Stamp Program under section 26, the plans of the State agency for operating the program, including—

“(A) the rules and procedures to be followed by the State agency to determine food stamp benefits;

“(B) how the State agency will address the needs of households that experience high shelter costs in relation to the incomes of the households; and

“(C) a description of the method by which the State agency will carry out a quality control system under section 16(c).”.

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(c) CONFORMING AMENDMENTS.—

(1) Section 8 of the Food Stamp Act of 1977 (7 U.S.C. 2017), as amended by section 1140, is amended—

(A) by striking subsection (e); and

(B) by redesignating subsection (f) as subsection (e).

(2) Section 17 of the Food Stamp Act of 1977 (7 U.S.C. 2026) is amended—

(A) by striking subsection (i); and

(B) by redesignating subsections (j) through (l) as subsections (i) through (k), respectively.

SEC. 1164. STATE FOOD ASSISTANCE BLOCK GRANT.

(a) IN GENERAL.—The Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), as amended by section 1163, is amended by adding at the end the following:

“SEC. 27. STATE FOOD ASSISTANCE BLOCK GRANT.

“(a) DEFINITIONS.—In this section:

“(1) FOOD ASSISTANCE.—The term ‘food assistance’ means assistance that may be used only to obtain food, as defined in section 3(g).

“(2) STATE.—The term ‘State’ means each of the 50 States, the District of Columbia, Guam, and the Virgin Islands of the United States.
“(b) ESTABLISHMENT.—The Secretary shall establish a program to make grants to States in accordance with this section to provide—

“(1) food assistance to needy individuals and families residing in the State; and

“(2) funds for administrative costs incurred in providing the assistance.

“(c) ELECTION.—

“(1) IN GENERAL.—A State may annually elect to participate in the program established under subsection (b) if the State—

“(A) has fully implemented an electronic benefit transfer system that operates in the entire State;

“(B) has a payment error rate under section 16(c) that is not more than 6 percent as announced most recently by the Secretary; or

“(C) has a payment error rate in excess of 6 percent and agrees to contribute non-Federal funds for the fiscal year of the grant, for benefits and administration of the State’s food assistance program, in an amount determined under paragraph (2).

“(2) STATE MANDATORY CONTRIBUTIONS.—
“(A) IN GENERAL.—In the case of a State that elects to participate in the program under paragraph (1)(C), the State shall agree to contribute, for a fiscal year, an amount equal to—

“(i)(I) the food stamp benefits issued in the State; multiplied by

“(II) the payment error rate of the State under section 16(c); minus

“(ii)(I) the food stamp benefits issued in the State; multiplied by

“(II) 6 percent.

“(B) DETERMINATION.—Notwithstanding sections 13 and 14, the calculation of the contribution shall be based solely on the determination of the Secretary of the payment error rate under section 16(c).

“(C) DATA.—For purposes of implementing subparagraph (A) for a fiscal year, the Secretary shall use the data for the most recent fiscal year available.

“(3) ELECTION LIMITATION.—

“(A) RE-ENTERING FOOD STAMP PROGRAM.—A State that elects to participate in the program under paragraph (1) may in a subsequent year decline to elect to participate in the
program established under subsection (b) and instead participate in the food stamp program in accordance with the other sections of this Act.

"(B) LIMITATION.—Subsequent to reentering the food stamp program under subparagraph (A), the State shall only be eligible to participate in the food stamp program in accordance with the other sections of this Act and shall not be eligible to elect to participate in the program established under subsection (b).

"(4) PROGRAM EXCLUSIVE.—

"(A) IN GENERAL.—A State that is participating in the program established under subsection (b) shall not be subject to, or receive any benefit under, this Act except as provided in this section.

"(B) CONTRACT WITH FEDERAL GOVERNMENT.—Nothing in this section shall prohibit a State from contracting with the Federal Government for the provision of services or materials necessary to carry out a program under this section.

"(d) LEAD AGENCY.—A State desiring to receive a grant under this section shall designate, in an application
submitted to the Secretary under subsection (e)(1), an appropriate State agency responsible for the administration of the program under this section as the lead agency.

"(e) APPLICATION AND PLAN.—

"(1) APPLICATION.—To be eligible to receive assistance under this section, a State shall prepare and submit to the Secretary an application at such time, in such manner, and containing such information as the Secretary shall by regulation require, including—

"(A) an assurance that the State will comply with the requirements of this section;

"(B) a State plan that meets the requirements of paragraph (3); and

"(C) an assurance that the State will comply with the requirements of the State plan under paragraph (3).

"(2) ANNUAL PLAN.—The State plan contained in the application under paragraph (1) shall be submitted for approval annually.

"(3) REQUIREMENTS OF PLAN.—

"(A) LEAD AGENCY.—The State plan shall identify the lead agency.

"(B) USE OF BLOCK GRANT FUNDS.—The State plan shall provide that the State shall use
the amounts provided to the State for each fiscal year under this section—

"(i) to provide food assistance to needy individuals and families residing in the State, other than residents of institutions who are ineligible for food stamps under section 3(i); and

"(ii) to pay administrative costs incurred in providing the assistance.

"(C) GROUPS SERVED.—The State plan shall describe how and to what extent the program will serve specific groups of individuals and families and how the treatment will differ from treatment under the food stamp program under the other sections of this Act of the individuals and families, including—

"(i) elderly individuals and families;

"(ii) migrants or seasonal farm-workers;

"(iii) homeless individuals and families;

"(iv) individuals and families who live in institutions eligible under section 3(i);

"(v) individuals and families with earnings; and
“(vi) members of Indian tribes or tribal organizations.

“(D) ASSISTANCE FOR ENTIRE STATE.—The State plan shall provide that benefits under this section shall be available throughout the entire State.

“(E) NOTICE AND HEARINGS.—The State plan shall provide that an individual or family who applies for, or receives, assistance under this section shall be provided with notice of, and an opportunity for a hearing on, any action under this section that adversely affects the individual or family.

“(F) ASSESSMENT OF NEEDS.—The State plan shall assess the food and nutrition needs of needy persons residing in the State.

“(G) ELIGIBILITY STANDARDS.—The State plan shall describe the income, resource, and other eligibility standards that are established for the receipt of assistance under this section.

“(H) DISQUALIFICATION OF FLEEING FELONS.—The State plan shall provide for the disqualification of any individual who would be disqualified from participating in the food stamp program under section 6(k).
“(I) RECEIVING BENEFITS IN MORE THAN 1 JURISDICTION.—The State plan shall estab-
lish a system for the exchange of information with other States to verify the identity and re-
ceipt of benefits by recipients.

“(J) PRIVACY.—The State plan shall pro-
vide for safeguarding and restricting the use and disclosure of information about any individ-
ual or family receiving assistance under this section.

“(K) OTHER INFORMATION.—The State plan shall contain such other information as may be required by the Secretary.

“(4) APPROVAL OF APPLICATION AND PLAN.—The Secretary shall approve an application and State plan that satisfies the requirements of this section.

“(f) NO INDIVIDUAL OR FAMILY ENTITLEMENT TO ASSISTANCE.—Nothing in this section—

“(1) entitles any individual or family to assistance under this section; or

“(2) limits the right of a State to impose additional limitations or conditions on assistance under this section.

“(g) BENEFITS FOR ALIENS.—
“(1) ELIGIBILITY.—No individual who is an alien shall be eligible to receive benefits under a State plan approved under subsection (e)(4) if the individual is not eligible to participate in the food stamp program due to the alien status of the individual.

“(2) INCOME.—The State plan shall provide that the income of an alien shall be determined in accordance with sections 5(i) and 6(f).

“(h) EMPLOYMENT AND TRAINING.—

“(1) WORK REQUIREMENTS.—No individual or household shall be eligible to receive benefits under a State plan funded under this section if the individual or household is not eligible to participate in the food stamp program under subsection (d) or (o) of section 6.

“(2) WORK PROGRAMS.—Each State shall implement an employment and training program in accordance with the terms and conditions of section 6(d)(4) for individuals under the program and shall be eligible to receive funding under section 16(h).

“(i) ENFORCEMENT.—

“(1) REVIEW OF COMPLIANCE WITH STATE PLAN.—The Secretary shall review and monitor
State compliance with this section and the State plan approved under subsection (e)(4).

"(2) NONCOMPLIANCE.—

"(A) IN GENERAL.—If the Secretary, after reasonable notice to a State and opportunity for a hearing, finds that—

"(i) there has been a failure by the State to comply substantially with any provision or requirement set forth in the State plan approved under subsection (e)(4); or

"(ii) in the operation of any program or activity for which assistance is provided under this section, there is a failure by the State to comply substantially with any provision of this section;

the Secretary shall notify the State of the finding and that no further grants will be made to the State under this section (or, in the case of noncompliance in the operation of a program or activity, that no further grants to the State will be made with respect to the program or activity) until the Secretary is satisfied that there is no longer any failure to comply or that the non-compliance will be promptly corrected.
“(B) OTHER PENALTIES.—In the case of a finding of noncompliance made pursuant to subparagraph (A), the Secretary may, in addition to, or in lieu of, imposing the penalties described in subparagraph (A), impose other appropriate penalties, including recoupment of money improperly expended for purposes prohibited or not authorized by this section and disqualification from the receipt of financial assistance under this section.

“(C) NOTICE.—The notice required under subparagraph (A) shall include a specific identification of any additional penalty being imposed under subparagraph (B).

“(3) ISSUANCE OF REGULATIONS.—The Secretary shall establish by regulation procedures for—

“(A) receiving, processing, and determining the validity of complaints made to the Secretary concerning any failure of a State to comply with the State plan or any requirement of this section; and

“(B) imposing penalties under this section.

“(j) GRANT.—

“(1) IN GENERAL.—For each fiscal year, the Secretary shall pay to a State that has an applica-
tion approved by the Secretary under subsection (e)(4) an amount that is equal to the grant of the State under subsection (m) for the fiscal year.

"(2) METHOD OF GRANT.—The Secretary shall make a grant to a State for a fiscal year under this section by issuing 1 or more letters of credit for the fiscal year, with necessary adjustments on account of overpayments or underpayments, as determined by the Secretary.

"(3) SPENDING OF GRANTS BY STATE.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), a grant to a State determined under subsection (m)(1) for a fiscal year may be expended by the State only in the fiscal year.

"(B) CARRYOVER.—The State may reserve up to 10 percent of a grant determined under subsection (m)(1) for a fiscal year to provide assistance under this section in subsequent fiscal years, except that the reserved funds may not exceed 30 percent of the total grant received under this section for a fiscal year.

"(4) FOOD ASSISTANCE AND ADMINISTRATIVE EXPENDITURES.—In each fiscal year, not more than 6 percent of the Federal and State funds required
to be expended by a State under this section shall be used for administrative expenses.

"(5) Provision of Food Assistance.—A State may provide food assistance under this section in any manner determined appropriate by the State, such as electronic benefit transfer limited to food purchases, coupons limited to food purchases, or direct provision of commodities.

"(k) Quality Control.—Each State participating in the program established under this section shall maintain a system in accordance with, and shall be subject to, section 16(c), including sanctions and eligibility for incentive payment under section 16(c), adjusted for State specific characteristics under regulations issued by the Secretary.

"(l) Nondiscrimination.—

"(1) In General.—No person with responsibility for the operation of a program, project, or activity under this section may discriminate with respect to the program, project, or activity because of race, religion, color, national origin, sex, disability, or age.

"(2) Enforcement.—The powers, remedies, and procedures set forth in title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) may be used by the Secretary to enforce paragraph (1).
"(m) GRANT CALCULATION.—

“(1) STATE GRANT.—

“(A) IN GENERAL.—Except as provided in this paragraph, from the amounts made available under section 18 for each fiscal year, the Secretary shall provide a grant to each State participating in the program established under this section an amount that is equal to the sum of—

“(i) the greater of, as determined by the Secretary—

“(I) the total dollar value of all benefits issued under the food stamp program established under this Act by the State during fiscal year 1994; or

“(II) the average per fiscal year of the total dollar value of all benefits issued under the food stamp program by the State during each of fiscal years 1992 through 1994; and

“(ii) the greater of, as determined by the Secretary—

“(I) the total amount received by the State for administrative costs under section 16(a) (not including any
adjustment under section 16(c)) for fiscal year 1994; or

“(II) the average per fiscal year of the total amount received by the State for administrative costs under section 16(a) (not including any adjustment under section 16(c)) for each of fiscal years 1992 through 1994.

“(B) LIMITATION FOR FISCAL YEAR 1997.—No grant to a State that elects to receive funding under this section for fiscal year 1997 shall exceed—

“(i) the sum of—

“(I) the amount of all benefits issued under the food stamp program by the State during fiscal year 1996; and

“(II) the amount received by the State for administrative costs under section 16(a) (not including any adjustment under section 16(c)) for fiscal year 1996; multiplied by

“(ii) the ratio (as projected by the Director of the Congressional Budget Office in the most recent estimate made prior to
the date of enactment of this section of the
effects of the Agricultural Reconciliation
Act of 1996) of—

"(I) the cost to the Secretary of
all benefits and administrative reim-
bursements under the food stamp pro-
gram, as amended by the Agricultural
Reconciliation Act of 1996, for fiscal
year 1997; to

"(II) such costs and reimburse-
ments for fiscal year 1996.

"(C) LIMITATION AFTER FISCAL YEAR
1997.—No grant to a State that elects to receive
funding under this section for fiscal year 1998
or a subsequent fiscal year shall exceed the cost
to the Secretary of all benefits and administra-
tive reimbursements for the State under the
food stamp program for fiscal year 1997.

"(D) INSUFFICIENT FUNDS.—If the Sec-
retary finds that the total amount of grants to
which States would otherwise be entitled for a
fiscal year under this paragraph will exceed the
amount of funds that will be made available to
provide the grants for the fiscal year, the Sec-
retary shall reduce the grants made to States
under this subsection, on a pro rata basis, to
the extent necessary.

"(2) REDUCTION.—The Secretary shall reduce
the grant of a State by the amount a State has
agreed to contribute under subsection (c)(1)(C).".

(b) EMPLOYMENT AND TRAINING FUNDING.—Sec-
tion 16(h) of the Food Stamp Act of 1977 (7 U.S.C.
2025(a)), as amended by section 1127(d)(2), is amended
by adding at the end the following:

"(6) BLOCK GRANT STATES.—Each State elect-
ing to operate a program under section 27 shall—

"(A) in lieu of payments under paragraph
(1), receive the greater of—

"(i) the total dollar value of the funds
received under paragraph (1) by the State
for fiscal year 1994; or

"(ii) the average per fiscal year of the
total dollar value of all funds received
under paragraph (1) by the State for each
of fiscal years 1992 through 1994; and

"(B) be eligible to receive funds under
paragraph (2), within the limitations estab-
lished in section 6(d)(4)(K).".

(c) RESEARCH ON OPTIONAL STATE FOOD ASSIST-
ANCE BLOCK GRANT.—Section 17 of the Food Stamp Act
(d) Lunch, Breakfast, and Supplement Rates.—The third sentence of section 11(a)(3)(B) of the National School Lunch Act (42 U.S.C. 1759a(a)(3)(B)) is amended by striking “one-fourth cent” and inserting “lower cent increment”.

(e) Effective Date.—The amendments made by this section shall become effective on July 1, 1996.

TITLE II—COMMITTEE ON FINANCE

Subtitle A—Welfare Reform

SEC. 2001. SHORT TITLE OF SUBTITLE.

This subtitle may be cited as the “Personal Responsibility and Work Opportunity Act of 1996”.

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CHAPTER 1—BLOCK GRANTS FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

SEC. 2101. FINDINGS.

The Congress makes the following findings:

(1) Marriage is the foundation of a successful society.

(2) Marriage is an essential institution of a successful society which promotes the interests of children.

(3) Promotion of responsible fatherhood and motherhood is integral to successful child rearing and the well-being of children.

(4) In 1992, only 54 percent of single-parent families with children had a child support order established and, of that 54 percent, only about one-half received the full amount due. Of the cases enforced through the public child support enforcement system, only 18 percent of the caseload has a collection.
(5) The number of individuals receiving aid to families with dependent children (in this section referred to as "AFDC") has more than tripled since 1965. More than two-thirds of these recipients are children. Eighty-nine percent of children receiving AFDC benefits now live in homes in which no father is present.

(A)(i) The average monthly number of children receiving AFDC benefits—

(I) was 3,300,000 in 1965;

(II) was 6,200,000 in 1970;

(III) was 7,400,000 in 1980; and

(IV) was 9,300,000 in 1992.

(ii) While the number of children receiving AFDC benefits increased nearly threefold between 1965 and 1992, the total number of children in the United States aged 0 to 18 has declined by 5.5 percent.

(B) The Department of Health and Human Services has estimated that 12,000,000 children will receive AFDC benefits within 10 years.

(C) The increase in the number of children receiving public assistance is closely related to the increase in births to unmarried women. Be-
tween 1970 and 1991, the percentage of live
births to unmarried women increased nearly
threefold, from 10.7 percent to 29.5 percent.

(6) The increase of out-of-wedlock pregnancies
and births is well documented as follows:

(A) It is estimated that the rate of non-
marital teen pregnancy rose 23 percent from 54
pregnancies per 1,000 unmarried teenagers in
1976 to 66.7 pregnancies in 1991. The overall
rate of nonmarital pregnancy rose 14 percent
from 90.8 pregnancies per 1,000 unmarried
In contrast, the overall pregnancy rate for mar-
rried couples decreased 7.3 percent between
1980 and 1991, from 126.9 pregnancies per
1,000 married women in 1980 to 117.6 preg-
nancies in 1991.

(B) The total of all out-of-wedlock births
between 1970 and 1991 has risen from 10.7
percent to 29.5 percent and if the current trend
continues, 50 percent of all births by the year
2015 will be out-of-wedlock.

(7) The negative consequences of an out-of-wed-
lock birth on the mother, the child, the family, and
society are well documented as follows:
(A) Young women 17 and under who give birth outside of marriage are more likely to go on public assistance and to spend more years on welfare once enrolled. These combined effects of "younger and longer" increase total AFDC costs per household by 25 percent to 30 percent for 17-year-olds.

(B) Children born out-of-wedlock have a substantially higher risk of being born at a very low or moderately low birth weight.

(C) Children born out-of-wedlock are more likely to experience low verbal cognitive attainment, as well as more child abuse, and neglect.

(D) Children born out-of-wedlock were more likely to have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(E) Being born out-of-wedlock significantly reduces the chances of the child growing up to have an intact marriage.

(F) Children born out-of-wedlock are 3 times more likely to be on welfare when they grow up.

(8) Currently 35 percent of children in single-parent homes were born out-of-wedlock, nearly the
same percentage as that of children in single-parent homes whose parents are divorced (37 percent). While many parents find themselves, through divorce or tragic circumstances beyond their control, facing the difficult task of raising children alone, nevertheless, the negative consequences of raising children in single-parent homes are well documented as follows:

(A) Only 9 percent of married-couple families with children under 18 years of age have income below the national poverty level. In contrast, 46 percent of female-headed households with children under 18 years of age are below the national poverty level.

(B) Among single-parent families, nearly \( \frac{1}{2} \) of the mothers who never married received AFDC while only \( \frac{1}{5} \) of divorced mothers received AFDC.

(C) Children born into families receiving welfare assistance are 3 times more likely to be on welfare when they reach adulthood than children not born into families receiving welfare.

(D) Mothers under 20 years of age are at the greatest risk of bearing low-birth-weight babies.
(E) The younger the single parent mother, the less likely she is to finish high school.

(F) Young women who have children before finishing high school are more likely to receive welfare assistance for a longer period of time.

(G) Between 1985 and 1990, the public cost of births to teenage mothers under the aid to families with dependent children program, the food stamp program, and the medicaid program has been estimated at $120,000,000,000.

(H) The absence of a father in the life of a child has a negative effect on school performance and peer adjustment.

(I) Children of teenage single parents have lower cognitive scores, lower educational aspirations, and a greater likelihood of becoming teenage parents themselves.

(J) Children of single-parent homes are 3 times more likely to fail and repeat a year in grade school than are children from intact 2-parent families.

(K) Children from single-parent homes are almost 4 times more likely to be expelled or suspended from school.
(L) Neighborhoods with larger percentages of youth aged 12 through 20 and areas with higher percentages of single-parent households have higher rates of violent crime.

(M) Of those youth held for criminal offenses within the State juvenile justice system, only 29.8 percent lived primarily in a home with both parents. In contrast to these incarcerated youth, 73.9 percent of the 62,800,000 children in the Nation’s resident population were living with both parents.

(9) Therefore, in light of this demonstration of the crisis in our Nation, it is the sense of the Congress that prevention of out-of-wedlock pregnancy and reduction in out-of-wedlock birth are very important Government interests and the policy contained in part A of title IV of the Social Security Act (as amended by section 2103(a) of this Act) is intended to address the crisis.

SEC. 2102. REFERENCE TO SOCIAL SECURITY ACT.

Except as otherwise specifically provided, wherever in this chapter 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.
SEC. 2103. BLOCK GRANTS TO STATES.

(a) IN GENERAL.—Part A of title IV (42 U.S.C. 601 et seq.) is amended—

(1) by striking all that precedes section 418 (as added by section 2803(b)(2) of this Act) and inserting the following:

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

"SEC. 401. PURPOSE.

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

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

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

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

"(4) encourage the formation and maintenance of two-parent families.

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

"SEC. 402. ELIGIBLE STATES; STATE PLAN.

"(a) IN GENERAL.—As used in this part, the term 'eligible State' means, with respect to a fiscal year, a State that, during the 2-year period immediately preceding the fiscal year, has submitted to the Secretary a plan that the Secretary has found includes the following:

"(1) OUTLINE OF FAMILY ASSISTANCE PROGRAM.—

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

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

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

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

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

"(v) Establish goals and take action to prevent and reduce the incidence of out-of-wedlock pregnancies, with special emphasis on teenage pregnancies, and establish numerical goals for reducing the illegitimacy ratio of the State (as defined in section 403(a)(2)(B)) for calendar years 1996 through 2005.

"(vi) Determine, on an objective and equitable basis, the needs of and the
amount of assistance to be provided to needy families, and, except as provided in subparagraph (B), treat families of similar needs and circumstances similarly.

“(vii) Grant an opportunity for a fair hearing before the appropriate State agency to any individual to whom assistance under the program is denied, reduced, or terminated, or whose request for such assistance is not acted on with reasonable promptness.

“(B) SPECIAL PROVISIONS.—

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

“(ii) The document shall indicate whether the State intends to provide assistance under the program to individuals who are not citizens of the United States, and if so, shall include an overview of such assistance.
“(2) Certification that the state will operate a child support enforcement program.—A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a child support enforcement program under the State plan approved under part D.

“(3) Certification that the state will operate a foster care and adoption assistance program.—A certification by the chief executive officer of the State that, during the fiscal year, the State will operate a foster care and adoption assistance program under the State plan approved under part E, and that the State will take such actions as are necessary to ensure that children receiving assistance under such part are eligible for medical assistance under the State plan under title XIX (or XV, if applicable).

“(4) Certification of the administration of the program.—A certification by the chief executive officer of the State specifying which State agency or agencies will administer and supervise the program referred to in paragraph (1) for the fiscal year, which shall include assurances that local governments and private sector organizations—
“(A) have been consulted regarding the plan and design of welfare services in the State so that services are provided in a manner appropriate to local populations; and

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

“(5) Certification that the state will provide Indians with equitable access to assistance.—A certification by the chief executive officer of the State that, during the fiscal year, the State will provide each Indian who is a member of an Indian tribe in the State that does not have a tribal family assistance plan approved under section 412 with equitable access to assistance under the State program funded under this part attributable to funds provided by the Federal Government.

“(6) Certification of standards and procedures to ensure against program fraud and abuse.—A certification by the chief executive officer of the State that the State has established and is enforcing standards and procedures to ensure against program fraud and abuse, including standards and procedures concerning nepotism, conflicts of interest among individuals responsible for the ad-
ministration and supervision of the State program, kickbacks, and the use of political patronage.

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

“SEC. 403. GRANTS TO STATES.

“(a) GRANTS.—

“(1) FAMILY ASSISTANCE GRANT.—

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

“(B) STATE FAMILY ASSISTANCE GRANT DEFINED.—As used in this part, the term ‘State family assistance grant’ means the greatest of—

“(i) 1/3 of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for fiscal years 1992, 1993, and 1994 (other than with respect to amounts expended by the State for child care under
subsection (g) or (i) of former section 402 (as so in effect));

"(ii)(I) the total amount required to be paid to the State under former section 403 for fiscal year 1994 (other than with respect to amounts expended by the State for child care under subsection (g) or (i) of former section 402 (as so in effect)); plus

"(II) an amount equal to 85 percent of the amount (if any) by which the total amount required to be paid to the State under former section 403(a)(5) for emergency assistance for fiscal year 1995 exceeds the total amount required to be paid to the State under former section 403(a)(5) for fiscal year 1994, if, during fiscal year 1994 or 1995, the Secretary approved under former section 402 an amendment to the former State plan to allow the provision of emergency assistance in the context of family preservation; or

"(iii) \( \frac{4}{3} \) of the total amount required to be paid to the State under former section 403 (as in effect on September 30, 1995) for the 1st 3 quarters of fiscal year
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1995 (other than with respect to amounts expended by the State under the State plan approved under part F (as so in effect) or for child care under subsection (g) or (i) of former section 402 (as so in effect)), plus the total amount required to be paid to the State for fiscal year 1995 under former section 403(l) (as so in effect).

"(C) TOTAL AMOUNT REQUIRED TO BE PAID TO THE STATE UNDER FORMER SECTION 403 DEFINED.—As used in this part, the term 'total amount required to be paid to the State under former section 403' means, with respect to a fiscal year—

"(i) in the case of a State to which section 1108 does not apply, the sum of—

"(I) the Federal share of maintenance assistance expenditures for the fiscal year, before reduction pursuant to subparagraph (B) or (C) of section 403(b)(2) (as in effect on September 30, 1995), as reported by the State on ACF Form 231;
“(II) the Federal share of administrative expenditures (including administrative expenditures for the development of management information systems) for the fiscal year, as reported by the State on ACF Form 231;

“(III) the Federal share of emergency assistance expenditures for the fiscal year, as reported by the State on ACF Form 231;

“(IV) the Federal share of expenditures for the fiscal year with respect to child care pursuant to subsections (g) and (i) of former section 402 (as in effect on September 30, 1995), as reported by the State on ACF Form 231; and

“(V) the aggregate amount required to be paid to the State for the fiscal year with respect to the State program operated under part F (as in effect on September 30, 1995), as determined by the Secretary, including additional obligations or reductions in
obligations made after the close of the fiscal year; and

“(ii) in the case of a State to which section 1108 applies, the lesser of—

“(I) the sum described in clause (i); or

“(II) the total amount certified by the Secretary under former section 403 (as in effect during the fiscal year) with respect to the territory.

“(D) INFORMATION TO BE USED IN DETERMINING AMOUNTS.—

“(i) FOR FISCAL YEARS 1992 AND 1993.—

“(I) In determining the amounts described in subclauses (I) through (IV) of subparagraph (C)(i) for any State for each of fiscal years 1992 and 1993, the Secretary shall use information available as of April 28, 1995.

“(II) In determining the amount described in subparagraph (C)(i)(V) for any State for each of fiscal years 1992 and 1993, the Secretary shall
use information available as of January 6, 1995.

"(ii) FOR FISCAL YEAR 1994.—In determining the amounts described in subparagraph (C)(i) for any State for fiscal year 1994, the Secretary shall use information available as of April 28, 1995.

"(iii) FOR FISCAL YEAR 1995.—

"(I) In determining the amount described in subparagraph (B)(ii)(II) for any State for fiscal year 1995, the Secretary shall use the information which was reported by the States and estimates made by the States with respect to emergency assistance expenditures and was available as of August 11, 1995.

"(II) In determining the amounts described in subclauses (I) through (III) of subparagraph (C)(i) for any State for fiscal year 1995, the Secretary shall use information available as of October 2, 1995.

"(III) In determining the amount described in subparagraph (C)(i)(IV)
for any State for fiscal year 1995, the Secretary shall use information available as of February 28, 1996.

"(IV) In determining the amount described in subparagraph (C)(i)(V) for any State for fiscal year 1995, the Secretary shall use information available as of October 5, 1995.

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

"(2) GRANT TO REWARD STATES THAT REDUCE OUT-OF-WEDLOCK BIRTHS.—

"(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary for fiscal year 1998 or any succeeding fiscal year, a grant in an amount equal to the State family assistance grant multiplied by—

"(i) 5 percent if—

"(I) the illegitimacy ratio of the State for the fiscal year is at least 1 percentage point lower than the ille-
gitimacy ratio of the State for fiscal
year 1995; and

“(II) the rate of induced preg-
nancy terminations in the State for
the fiscal year is less than the rate of
induced pregnancy terminations in the
State for fiscal year 1995; or

“(ii) 10 percent if—

“(I) the illegitimacy ratio of the
State for the fiscal year is at least 2
percentage points lower than the ille-
gitimacy ratio of the State for fiscal
year 1995; and

“(II) the rate of induced preg-
nancy terminations in the State for
the fiscal year is less than the rate of
induced pregnancy terminations in the
State for fiscal year 1995.

“(B) ILLEGITIMACY RATIO.—As used in
this paragraph, the term ‘illegitimacy ratio’
means, with respect to a State and a fiscal
year—

“(i) the number of out-of-wedlock
births that occurred in the State during
the most recent fiscal year for which such
information is available; divided by

"(ii) the number of births that oc-
curred in the State during the most recent
fiscal year for which such information is
available.

"(C) DISREGARD OF CHANGES IN DATA
DUE TO CHANGED REPORTING METHODS.—For
purposes of subparagraph (A), the Secretary
shall disregard—

"(i) any difference between the illegit-
imacy ratio of a State for a fiscal year and
the illegitimacy ratio of the State for fiscal
year 1995 which is attributable to a
change in State methods of reporting data
used to calculate the illegitimacy ratio; and

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

"(D) APPROPRIATION.—Out of any money
in the Treasury of the United States not other-
wise appropriated, there are appropriated for
fiscal year 1998 and for each succeeding fiscal
year such sums as are necessary for grants
under this paragraph.

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

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

"(i) for fiscal year 1998 a grant in an
amount equal to 2.5 percent of the total
amount required to be paid to the State
under former section 403 (as in effect dur-
ing fiscal year 1994) for fiscal year 1994;
and

"(ii) for each of fiscal years 1999,
2000, and 2001, a grant in an amount
equal to the sum of—

"(I) the amount (if any) required
to be paid to the State under this
paragraph for the immediately preceed-
ing fiscal year; and

"(II) 2.5 percent of the sum of—
"(aa) the total amount re-
quired to be paid to the State
under former section 403 (as in
effect during fiscal year 1994) for fiscal year 1994; and

"(bb) the amount (if any) required to be paid to the State under this paragraph for the fiscal year preceding the fiscal year for which the grant is to be made.

"(B) PRESERVATION OF GRANT WITHOUT INCREASES FOR STATES FAILING TO REMAIN QUALIFYING STATES.—Each State that is not a qualifying State for a fiscal year specified in subparagraph (A)(ii) but was a qualifying State for a prior fiscal year shall, subject to subparagraph (F), be entitled to receive from the Secretary for the specified fiscal year, a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year for which the State was a qualifying State.

"(C) QUALIFYING STATE.—

"(i) IN GENERAL.—For purposes of this paragraph, a State is a qualifying State for a fiscal year if—
"(I) the level of welfare spending per poor person by the State for the immediately preceding fiscal year is less than the national average level of State welfare spending per poor person for such preceding fiscal year; and

"(II) the population growth rate of the State (as determined by the Bureau of the Census) for the most recent fiscal year for which information is available exceeds the average population growth rate for all States (as so determined) for such most recent fiscal year.

"(ii) STATE MUST QUALIFY IN FISCAL YEAR 1998.—Notwithstanding clause (i), a State shall not be a qualifying State for any fiscal year after 1998 by reason of clause (i) if the State is not a qualifying State for fiscal year 1998 by reason of clause (i).

"(iii) CERTAIN STATES DEEMED QUALIFYING STATES.—For purposes of this paragraph, a State is deemed to be a
qualifying State for fiscal years 1998, 1999, 2000, and 2001 if—

"(I) the level of welfare spending per poor person by the State for fiscal year 1997 is less than 35 percent of the national average level of State welfare spending per poor person for fiscal year 1996; or

"(II) the population of the State increased by more than 10 percent from April 1, 1990 to July 1, 1994, according to the population estimates in publication CB94-204 of the Bureau of the Census.

“(D) DEFINITIONS.—As used in this paragraph:

“(i) LEVEL OF WELFARE SPENDING PER POOR PERSON.—The term ‘level of State welfare spending per poor person’ means, with respect to a State and a fiscal year—

“(I) the sum of—

“(aa) the total amount required to be paid to the State under former section 403 (as in
effect during fiscal year 1994)
for fiscal year 1994; and

"(bb) the amount (if any)
paid to the State under this
paragraph for the immediately
preceding fiscal year; divided by

"(II) the number of individuals,
according to the 1990 decennial cen-
sus, who were residents of the State
and whose income was below the pov-
erty line.

"(ii) NATIONAL AVERAGE LEVEL OF
STATE WELFARE SPENDING PER POOR
PERSON.—The term 'national average level
of State welfare spending per poor person'
means, with respect to a fiscal year, an
amount equal to—

"(I) the total amount required to
be paid to the States under former
section 403 (as in effect during fiscal
year 1994) for fiscal year 1994; di-
vided by

"(II) the number of individuals,
according to the 1990 decennial cen-
sus, who were residents of any State
and whose income was below the poverty line.

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

"(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1998, 1999, 2000, and 2001 such sums as are necessary for grants under this paragraph, in a total amount not to exceed $800,000,000.

"(F) GRANTS REDUCED PRO RATA IF INSUFFICIENT APPROPRIATIONS.—If the amount appropriated pursuant to this paragraph for a fiscal year is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall be reduced by a percentage equal to the amount so appropriated divided by such total amount.

"(G) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the
baseline shall assume that no grant shall be made under this paragraph after fiscal year 2000.

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

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

"(B) AMOUNT OF GRANT.—

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

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

"(C) FORMULA FOR MEASURING STATE PERFORMANCE.—Not later than 1 year after
the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996, the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a). Such formula shall emphasize the extent to which the State increases the number of families that become ineligible for assistance under the State program funded under this part as a result of unsubsidized employment.

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

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

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

"(I) the average annual total amount of grants to be made under
this paragraph for each bonus year equals the amount specified for such bonus year in subparagraph (E)(ii); and

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

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


“(ii) THE AMOUNT SPECIFIED FOR SUCH BONUS YEAR.—The term ‘the amount specified for such bonus year’ means the following:


“(II) For fiscal year 2003, $300,000,000.

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

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

"(b) CONTINGENCY FUND.—

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

"(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1998, 1999, 2000, and 2001 such sums as are necessary for payment to the Fund in a total amount not to exceed $2,000,000,000.

"(3) GRANTS.—

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

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

"(C) LIMITATIONS.—

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

"(ii) PAYMENTS TO ALL STATES.—The total amount paid to all States under subparagraph (A) during fiscal years 1998 through 2001 shall not exceed the total amount appropriated pursuant to paragraph (2).

"(4) ANNUAL RECONCILIATION.—Notwithstanding paragraph (3), at the end of each fiscal year, each State shall remit to the Secretary an amount
equal to the amount (if any) by which the total amount paid to the State under paragraph (3) during the fiscal year exceeds—

"(A) the Federal medical assistance percentage for the State for the fiscal year (as defined in section 1905(b), as in effect on September 30, 1995) of the amount (if any) by which the expenditures under the State program funded under this part for the fiscal year exceed historic State expenditures (as defined in section 409(a)(7)(B)(iii)); multiplied by

"(B) \(\frac{1}{12}\) times the number of months during the fiscal year for which the Secretary makes a payment to the State under this subsection.

"(5) ELIGIBLE MONTH.—As used in paragraph (3)(A), the term 'eligible month' means, with respect to a State, a month in the 2-month period that begins with any month for which the State is a needy State.

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

"(A) the average rate of—

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

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

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

"(i) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1994 if the amendments made by
chapter 4 of the Personal Responsibility and Work Opportunity Act of 1996 and the amendments made by chapter 1 of subtitle A of title I of the Agricultural Reconciliation Act of 1996 had been in effect throughout fiscal year 1994; or

"(ii) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the food stamp program in the corresponding 3-month period in fiscal year 1995 if the amendments made by chapter 4 of the Personal Responsibility and Work Opportunity Act of 1996 and the amendments made by chapter 1 of subtitle A of title I of the Agricultural Reconciliation Act of 1996 had been in effect throughout fiscal year 1995.

"(7) OTHER TERMS DEFINED.—As used in this subsection:

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

"(B) SECRETARY.—The term ‘Secretary’ means the Secretary of the Treasury.
“(8) ANNUAL REPORTS.—The Secretary shall annually report to the Congress on the status of the Fund.

“(9) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this subsection after fiscal year 2001.

“SEC. 404. USE OF GRANTS.

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

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

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

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

“(1) LIMITATION.—A State to which a grant is made under section 403 shall not expend more than 15 percent of the grant for administrative purposes.
“(2) EXCEPTION.—Paragraph (1) shall not apply to the use of a grant for information technology and computerization needed for tracking or monitoring required by or under this part.

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

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

“(1) IN GENERAL.—A State may use not more than 30 percent of the amount of the grant made to the State under section 403 for a fiscal year to carry out a State program pursuant to the Child Care and Development Block Grant Act of 1990.

“(2) APPLICABLE RULES.—Any amount paid to the State under this part that is used to carry out a State program pursuant to a provision of law specified or described in paragraph (1) shall not be subject to the requirements of this part, but shall be subject to the requirements that apply to Federal
funds provided directly under the provision of law to carry out the program.

"(e) Authority To Reserve Certain Amounts For Assistance.—A State may reserve amounts paid to the State under this part for any fiscal year for the purpose of providing, without fiscal year limitation, assistance under the State program funded under this part.

"(f) Authority To Operate Employment Placement Program.—A State to which a grant is made under section 403 may use the grant to make payments (or provide job placement vouchers) to State-approved public and private job placement agencies that provide employment placement services to individuals who receive assistance under the State program funded under this part.

"(g) Implementation Of Electronic Benefit Transfer System.—A State to which a grant is made under section 403 is encouraged to implement an electronic benefit transfer system for providing assistance under the State program funded under this part, and may use the grant for such purpose.

"Sec. 405. Administrative Provisions.

"(a) Quarterly.—The Secretary shall pay each grant payable to a State under section 403 in quarterly installments.
“(b) NOTIFICATION.—Not later than 3 months before the payment of any such quarterly installment to a State, the Secretary shall notify the State of the amount of any reduction determined under section 412(a)(1)(B) with respect to the State.

“(c) COMPUTATION AND CERTIFICATION OF PAYMENTS TO STATES.—

“(1) COMPUTATION.—The Secretary shall estimate the amount to be paid to each eligible State for each quarter under this part, such estimate to be based on a report filed by the State containing an estimate by the State of the total sum to be expended by the State in the quarter under the State program funded under this part and such other information as the Secretary may find necessary.

“(2) CERTIFICATION.—The Secretary of Health and Human Services shall certify to the Secretary of the Treasury the amount estimated under paragraph (1) with respect to a State, reduced or increased to the extent of any overpayment or underpayment which the Secretary of Health and Human Services determines was made under this part to the State for any prior quarter and with respect to which adjustment has not been made under this paragraph.
“(d) PAYMENT METHOD.—Upon receipt of a certification under subsection (c)(2) with respect to a State, the Secretary of the Treasury shall, through the Fiscal Service of the Department of the Treasury and before audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health and Human Services, the amount so certified.

“(e) COLLECTION OF STATE OVERPAYMENTS TO FAMILIES FROM FEDERAL TAX REFUNDS.—

“(1) IN GENERAL.—Upon receiving notice from the Secretary of Health and Human Services that a State agency administering a program funded under this part has notified the Secretary that a named individual has been overpaid under the State program funded under this part, the Secretary of the Treasury shall determine whether any amounts as refunds of Federal taxes paid are payable to such individual, regardless of whether the individual filed a tax return as a married or unmarried individual. If the Secretary of the Treasury finds that any such amount is so payable, the Secretary shall withhold from such refunds an amount equal to the overpayment sought to be collected by the State and pay such amount to the State agency.
“(2) REGULATIONS.—The Secretary of the Treasury shall issue regulations, after review by the Secretary of Health and Human Services, that provide—

“(A) that a State may only submit under paragraph (1) requests for collection of overpayments with respect to individuals—

“(i) who are no longer receiving assistance under the State program funded under this part;

“(ii) with respect to whom the State has already taken appropriate action under State law against the income or resources of the individuals or families involved to collect the past-due legally enforceable debt; and

“(iii) to whom the State agency has given notice of its intent to request withholding by the Secretary of the Treasury from the income tax refunds of such individuals;

“(B) that the Secretary of the Treasury will give a timely and appropriate notice to any other person filing a joint return with the indi-
vidual whose refund is subject to withholding under paragraph (1); and

"(C) the procedures that the State and the Secretary of the Treasury will follow in carrying out this subsection which, to the maximum extent feasible and consistent with the provisions of this subsection, will be the same as those issued pursuant to section 464(b) applicable to collection of past-due child support.

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

"(a) LOAN AUTHORITY.—

"(1) IN GENERAL.—The Secretary shall make loans to any loan-eligible State, for a period to maturity of not more than 3 years.

"(2) LOAN-ELIGIBLE STATE.—As used in paragraph (1), the term ‘loan-eligible State’ means a State against which a penalty has not been imposed under section 409(a)(1).

"(b) RATE OF INTEREST.—The Secretary shall charge and collect interest on any loan made under this section at a rate equal to the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the period to maturity of the loan.
“(c) Use of Loan.—A State shall use a loan made

to the State under this section only for any purpose for

which grant amounts received by the State under section

403(a) may be used, including—

“(1) welfare anti-fraud activities; and

“(2) the provision of assistance under the State

program to Indian families that have moved from

the service area of an Indian tribe with a tribal fam-

ily assistance plan approved under section 412.

“(d) Limitation on Total Amount of Loans to

A State.—The cumulative dollar amount of all loans

made to a State under this section during fiscal years

1997 through 2001 shall not exceed 10 percent of the

State family assistance grant.

“(e) Limitation on Total Amount of Outstanding Loans.—The total dollar amount of loans outstanding under this section may not exceed $1,700,000,000.

“(f) Appropriation.—Out of any money in the

Treasury of the United States not otherwise appropriated,

there are appropriated such sums as may be necessary for

the cost of loans under this section.

“Sec. 407. Mandatory Work Requirements.

“(a) Participation Rate Requirements.—

“(1) All Families.—A State to which a grant

is made under section 403 for a fiscal year shall
achieve the minimum participation rate specified in
the following table for the fiscal year with respect to
all families receiving assistance under the State pro-
gram funded under this part:

<table>
<thead>
<tr>
<th>If the fiscal year is:</th>
<th>The minimum participation rate is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>15</td>
</tr>
<tr>
<td>1997</td>
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<td>1999</td>
<td>35</td>
</tr>
<tr>
<td>2000</td>
<td>40</td>
</tr>
<tr>
<td>2001</td>
<td>45</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>50</td>
</tr>
</tbody>
</table>

"(2) 2-PARENT FAMILIES.—A State to which a
grant is made under section 403 for a fiscal year
shall achieve the minimum participation rate speci-
fied in the following table for the fiscal year with re-
spect to 2-parent families receiving assistance under
the State program funded under this part:

<table>
<thead>
<tr>
<th>If the fiscal year is:</th>
<th>The minimum participation rate is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>50</td>
</tr>
<tr>
<td>1997</td>
<td>75</td>
</tr>
<tr>
<td>1998</td>
<td>75</td>
</tr>
<tr>
<td>1999 and thereafter</td>
<td>90</td>
</tr>
</tbody>
</table>

"(b) CALCULATION OF PARTICIPATION RATES.—

"(1) ALL FAMILIES.—

"(A) AVERAGE MONTHLY RATE.—For pur-
poses of subsection (a)(1), the participation
rate for all families of a State for a fiscal year
is the average of the participation rates for all
families of the State for each month in the fiscal year.

"(B) MONTHLY PARTICIPATION RATES.— The participation rate of a State for all families of the State for a month, expressed as a percentage, is—

"(i) the number of families receiving assistance under the State program funded under this part that include an adult who is engaged in work for the month; divided by

"(ii) the amount by which—

"(I) the number of families receiving such assistance during the month that include an adult receiving such assistance; exceeds

"(II) the number of families receiving such assistance that are subject in such month to a penalty described in subsection (e)(1) but have not been subject to such penalty for more than 3 months within the preceding 12-month period (whether or not consecutive).

"(2) 2-PARENT FAMILIES.—
"(A) AVERAGE MONTHLY RATE.—For purposes of subsection (a)(2), the participation rate for 2-parent families of a State for a fiscal year is the average of the participation rates for 2-parent families of the State for each month in the fiscal year.

"(B) MONTHLY PARTICIPATION RATES.—The participation rate of a State for 2-parent families of the State for a month shall be calculated by use of the formula set forth in paragraph (1)(B), except that in the formula the term 'number of 2-parent families' shall be substituted for the term 'number of families' each place such latter term appears.

"(3) PRO RATA REDUCTION OF PARTICIPATION RATE DUE TO CASELOAD REDUCTIONS NOT REQUIRED BY FEDERAL LAW.—

"(A) IN GENERAL.—The Secretary shall prescribe regulations for reducing the minimum participation rate otherwise required by this section for a fiscal year by the number of percentage points equal to the number of percentage points (if any) by which—

"(i) the average monthly number of families receiving assistance during the fis-
cal year under the State program funded under this part is less than

"(ii) the average monthly number of families that received aid under the State plan approved under part A (as in effect on September 30, 1995) during fiscal year 1995.

The minimum participation rate shall not be reduced to the extent that the Secretary determines that the reduction in the number of families receiving such assistance is required by Federal law.

"(B) ELIGIBILITY CHANGES NOT COUNTED.—The regulations described in subparagraph (A) shall not take into account families that are diverted from a State program funded under this part as a result of differences in eligibility criteria under a State program funded under this part and eligibility criteria under the State program operated under the State plan approved under part A (as such plan and such part were in effect on September 30, 1995). Such regulations shall place the burden on the Secretary to prove that such families were di-
verted as a direct result of differences in such eligibility criteria.

"(4) STATE OPTION TO INCLUDE INDIVIDUALS RECEIVING ASSISTANCE UNDER A TRIBAL FAMILY ASSISTANCE PLAN.—For purposes of paragraphs (1)(B) and (2)(B), a State may, at its option, include families receiving assistance under a tribal family assistance plan approved under section 412.

"(5) STATE OPTION FOR PARTICIPATION REQUIREMENT EXEMPTIONS.—

"(A) IN GENERAL.—For any fiscal year, a State may, at its option, not require an individual who is a single custodial parent caring for a child who has not attained 12 months of age to engage in work and may disregard such an individual in determining the participation rates under subsection (a).

"(B) LIMITATION.—The exemption described in subparagraph (A) may only be applied to a single custodial parent for a total of 12 months (whether or not consecutive).

"(c) ENGAGED IN WORK.—

"(1) ALL FAMILIES.—For purposes of subsection (b)(1)(B)(i), a recipient is engaged in work for a month in a fiscal year if the recipient is par-
participating in work activities for at least the minimum average number of hours per week specified in the following table during the month, not fewer than 20 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), or (8) of subsection (d):

<table>
<thead>
<tr>
<th>&quot;If the month is in fiscal year:&quot;</th>
<th>The minimum average number of hours per week is:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>20</td>
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<tr>
<td>1997</td>
<td>20</td>
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<tr>
<td>2001</td>
<td>30</td>
</tr>
<tr>
<td>2002 and thereafter</td>
<td>35</td>
</tr>
</tbody>
</table>

"(2) 2-PARENT FAMILIES.—For purposes of subsection (b)(2)(B)(i)—

"(A) an adult is engaged in work for a month in a fiscal year if the adult is making progress in work activities for at least 35 hours per week during the month, not fewer than 30 hours per week of which are attributable to an activity described in paragraph (1), (2), (3), (4), (5), (6), (7), or (8) of subsection (d); and

"(B) if the family of such adult receives federally-funded child care assistance, if the adult’s spouse is making progress in work activities for at least 20 hours per week during the month which are attributable to an activity
described in paragraph (1), (2), (3), (4), (5), or (7) of subsection (d).

"(3) LIMITATION ON NUMBER OF WEEKS FOR WHICH JOB SEARCH COUNTS AS WORK.—Notwithstanding paragraphs (1) and (2), an individual shall not be considered to be engaged in work by virtue of participation in an activity described in subsection (d)(6), after the individual has participated in such an activity for 4 weeks (except if the unemployment rate in the State is above the national average, in which case, 12 weeks) in a fiscal year. An individual shall be considered to be participating in such an activity for a week if the individual participates in such an activity at any time during the week.

"(4) LIMITATION ON VOCATIONAL EDUCATION ACTIVITIES COUNTED AS WORK.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B)(i) of subsection (b), not more than 20 percent of adults in all families and in 2-parent families determined to be engaged in work in the State for a month may meet the work activity requirement through participation in vocational educational training.

"(5) SINGLE PARENT WITH CHILD UNDER AGE 6 DEEMED TO BE MEETING WORK PARTICIPATION
REQUIREMENTS IF PARENT IS ENGAGED IN WORK FOR 20 HOURS PER WEEK.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient in a 1-parent family who is the parent of a child who has not attained 6 years of age is deemed to be engaged in work for a month if the recipient is engaged in work for an average of at least 20 hours per week during the month.

“(6) TEEN HEAD OF HOUSEHOLD WHO MAINTAINS SATISFACTORY SCHOOL ATTENDANCE DEEMED TO BE MEETING WORK PARTICIPATION REQUIREMENTS.—For purposes of determining monthly participation rates under subsection (b)(1)(B)(i), a recipient who is a single head of household and has not attained 20 years of age is deemed to be engaged in work for a month in a fiscal year if the recipient—

“(A) maintains satisfactory attendance at secondary school or the equivalent during the month; or

“(B) participates in education directly related to employment for at least the minimum average number of hours per week specified in the table set forth in paragraph (1).
“(d) Work Activities Defined.—As used in this section, the term ‘work activities’ means—

“(1) unsubsidized employment;
“(2) subsidized private sector employment;
“(3) subsidized public sector employment;
“(4) work experience (including work associated with the refurbishing of publicly assisted housing) if sufficient private sector employment is not available;
“(5) on-the-job training;
“(6) job search and job readiness assistance;
“(7) community service programs;
“(8) vocational educational training (not to exceed 12 months with respect to any individual);
“(9) job skills training directly related to employment;
“(10) education directly related to employment, in the case of a recipient who has not attained 20 years of age, and has not received a high school diploma or a certificate of high school equivalency; and
“(11) satisfactory attendance at secondary school, in the case of a recipient who—
“(A) has not completed secondary school;
and
“(B) is a dependent child, or a head of household who has not attained 20 years of age.
"(e) Penalties Against Individuals.—

"(1) In general.—Except as provided in paragraph (2), if an adult in a family receiving assistance under the State program funded under this part refuses to engage in work required in accordance with this section, the State shall—

"(A) reduce the amount of assistance otherwise payable to the family pro rata (or more, at the option of the State) with respect to any period during a month in which the adult so refuses; or

"(B) terminate such assistance, subject to such good cause and other exceptions as the State may establish.

"(2) Exception.—

"(A) In general.—Notwithstanding paragraph (1), a State may not reduce or terminate assistance under the State program funded under this part based on a refusal of an adult to work if the adult is a single custodial parent caring for a child who has not attained 11 years of age, and the adult proves that the adult has a demonstrated inability (as determined by the State) to obtain needed child care, for 1 or more of the following reasons:
“(i) Unavailability of appropriate child care within a reasonable distance from the individual’s home or work site.

“(ii) Unavailability or unsuitability of informal child care by a relative or under other arrangements.

“(iii) Unavailability of appropriate and affordable formal child care arrangements.

“(B) INCLUDED IN DETERMINATION OF PARTICIPATION RATES.—A State may not disregard an adult for which the exception described in subparagraph (A) applies from determination of the participation rates under subsection (a).

“(f) NONDISPLACEMENT IN WORK ACTIVITIES.—

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

“(2) NO FILLING OF CERTAIN VACANCIES.—No work assignment to an adult in a family receiving
assistance under a State program funded under this part shall result in—

"(A) the displacement of any currently employed worker (including any partial displacement of such worker through such matters as a reduction in the hours of overtime work, wages, or employment benefits), or in the impairment of any contract for services in existence as of the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996, or in the impairment of any collective bargaining agreement in existence as of such date; and

"(B) the termination of the employment of any regular employee or any other involuntary reduction of an employer's workforce in order to fill the vacancy so created with an adult described in paragraph (1).

"(3) GRIEVANCE PROCEDURE.—A State with a program funded under this part shall establish and maintain a grievance procedure for resolving complaints of alleged violations of the provisions of paragraph (2) and for providing adequate remedies for any such violations established. The grievance proce-
dure established under this paragraph shall include
an opportunity for a hearing.

“(4) No preemption.—Nothing in this sub-
section shall preempt or supersede any provision of
State or local law that provides greater protection
for employees from displacement.

“(g) Sense of the Congress.—It is the sense of
the Congress that in complying with this section, each
State that operates a program funded under this part is
encouraged to assign the highest priority to requiring
adults in 2-parent families and adults in single-parent
families that include older preschool or school-age children
to be engaged in work activities.

“(h) Sense of the Congress that States
should impose certain requirements on non-
custodial, nonsupporting minor parents.—It is the
sense of the Congress that the States should require non-
custodial, nonsupporting parents who have not attained 18
years of age to fulfill community work obligations and at-
tend appropriate parenting or money management classes
after school.

“Sec. 408. Prohibitions; requirements.

“(a) In general.—

“(1) No assistance for families without a
minor child.—A State to which a grant is made
under section 403 shall not use any part of the grant to provide assistance to a family—

"(A) unless the family includes—

"(i) a minor child who resides with a custodial parent or other adult caretaker relative of the child; or

"(ii) a pregnant individual; and

"(B) if such family includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences (unless an exception described in subparagraph (B) or (C) of paragraph (8) applies).

"(2) No additional cash assistance for children born to families receiving assistance.—

"(A) General rule.—A State to which a grant is made under section 403 shall not use any part of the grant to provide cash benefits for a minor child who is born to—

"(i) a recipient of assistance under the program operated under this part; or
"(ii) a person who received such assistance at any time during the 10-month period ending with the birth of the child.

"(B) EXCEPTION FOR CHILDREN BORN INTO FAMILIES WITH NO OTHER CHILDREN.— Subparagraph (A) shall not apply to a minor child who is born into a family that does not include any other children.

"(C) EXCEPTION FOR RAPE OR INCEST.— Subparagraph (A) shall not apply with respect to a child who is born as a result of rape or incest.

"(D) STATE ELECTION TO OPT OUT.— Subparagraph (A) shall not apply to a State if State law specifically exempts the State program funded under this part from the application of subparagraph (A).

"(E) SUBSTITUTION OF FAMILY CAPS IN EFFECT UNDER WAIVERS OR CURRENT STATE LAW.—Subparagraph (A) shall not apply to a State—

"(i) if, not earlier than 2 years prior to the date of the enactment of this part, the State enacted a law permitting the State to deny aid or assistance to a family

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by reason of the birth of a child to a family member otherwise eligible for such aid or assistance; or

"(ii) if, as of the date of the enactment of this part—

"(I) the State has in effect a waiver approved by the Secretary under section 1115 which permits the State to deny aid under the State plan approved under part A of this title (as in effect without regard to the amendments made by chapter 1 of the Personal Responsibility and Work Opportunity Act of 1996) to a family by reason of the birth of a child to a family member otherwise eligible for such aid; and

"(II) the State continues to implement such policy under the State program funded under this part (regardless of the expiration of the waiver), under rules prescribed by the State.

"(3) REDUCTION OR ELIMINATION OF ASSISTANCE FOR NONCOOPERATION IN ESTABLISHING PA-

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TERNITY OR OBTAINING CHILD SUPPORT.—If the agency responsible for administering the State plan approved under part D determines that an individual is not cooperating with the State in establishing paternity or in establishing, modifying, or enforcing a support order with respect to a child of the individual, and the individual does not qualify for any good cause or other exception established by the State pursuant to section 454(29), then the State—

"(A) shall deduct not less than 25 percent of the assistance that would otherwise be provided to the family of the individual under the State program funded under this part; and

"(B) may deny the family any assistance under the State program.

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

"(A) IN GENERAL.—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other
person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance so provided to the family, which accrue (or have accrued) before the date the family leaves the program, which assignment, on and after the date the family leaves the program, shall not apply with respect to any support (other than support collected pursuant to section 464) which accrued before the family received such assistance and which the State has not collected by—

“(i) September 30, 2000, if the assignment is executed on or after October 1, 1997, and before October 1, 2000; or

“(ii) the date the family leaves the program, if the assignment is executed on or after October 1, 2000.

“(B) LIMITATION.—A State to which a grant is made under section 403 shall not require, as a condition of providing assistance to any family under the State program funded under this part, that a member of the family assign to the State any rights to support de-
scribed in subparagraph (A) which accrue after the date the family leaves the program.

"(5) No assistance for teenage parents who do not attend high school or other equivalent training program.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual who has not attained 18 years of age, is not married, has a minor child at least 12 weeks of age in his or her care, and has not successfully completed a high-school education (or its equivalent), if the individual does not participate in—

"(A) educational activities directed toward the attainment of a high school diploma or its equivalent; or

"(B) an alternative educational or training program that has been approved by the State.

"(6) No assistance for teenage parents not living in adult-supervised settings.—

"(A) In general.—

"(i) Requirement.—Except as provided in subparagraph (B), a State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to an individual described
in clause (ii) of this subparagraph if the individual and the minor child referred to in clause (ii)(II) do not reside in a place of residence maintained by a parent, legal guardian, or other adult relative of the individual as such parent's, guardian's, or adult relative's own home.

"(ii) INDIVIDUAL DESCRIBED.—For purposes of clause (i), an individual described in this clause is an individual who—

"(I) has not attained 18 years of age; and

"(II) is not married, and has a minor child in his or her care.

"(B) EXCEPTION.—

"(i) PROVISION OF, OR ASSISTANCE IN LOCATING, ADULT-SUPERVISED LIVING ARRANGEMENT.—In the case of an individual who is described in clause (ii), the State agency referred to in section 402(a)(4) shall provide, or assist the individual in locating, a second chance home, maternity home, or other appropriate adult-supervised supportive living arrangement, taking
into consideration the needs and concerns
of the individual, and thereafter shall re-
quire that the individual and the minor
child referred to in subparagraph
(A)(ii)(II) reside in such living arrange-
ment as a condition of the continued re-
cceipt of assistance under the State pro-
gram funded under this part attributable
to funds provided by the Federal Govern-
ment (or in an alternative appropriate ar-
rangement, should circumstances change
and the current arrangement cease to be
appropriate).

"(ii) INDIVIDUAL DESCRIBED.—For
purposes of clause (i), an individual is de-
scribed in this clause if the individual is
described in subparagraph (A)(ii), and—

"(I) the individual has no parent,
legal guardian or other appropriate
adult relative described in subclause
(II) of his or her own who is living or
whose whereabouts are known;

"(II) no living parent, legal
guardian, or other appropriate adult
relative, who would otherwise meet
applicable State criteria to act as the individual's legal guardian, of such individual allows the individual to live in the home of such parent, guardian, or relative;

"(III) the State agency determines that—

"(aa) the individual or the minor child referred to in subparagraph (A)(ii)(II) is being or has been subjected to serious physical or emotional harm, sexual abuse, or exploitation in the residence of the individual's own parent or legal guardian; or

"(bb) substantial evidence exists of an act or failure to act that presents an imminent or serious harm if the individual and the minor child lived in the same residence with the individual's own parent or legal guardian; or

"(IV) the State agency otherwise determines that it is in the best interest of the minor child to waive the re-
quirement of subparagraph (A) with respect to the individual or the minor child.

“(iii) SECOND-CHANCE HOME.—For purposes of this subparagraph, the term 'second-chance home' means an entity that provides individuals described in clause (ii) with a supportive and supervised living arrangement in which such individuals are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children.

“(7) NO MEDICAL SERVICES.—

“(A) IN GENERAL.—Except as provided in subparagraph (B), a State to which a grant is made under section 403 shall not use any part of the grant to provide medical services.

“(B) EXCEPTION FOR FAMILY PLANNING SERVICES.—As used in subparagraph (A), the term 'medical services' does not include family planning services.

“(8) NO ASSISTANCE FOR MORE THAN 5 YEARS.—
“(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), a State to which a grant is made under section 403 shall not use any part of the grant to provide assistance to a family that includes an adult who has received assistance under any State program funded under this part attributable to funds provided by the Federal Government, for 60 months (whether or not consecutive) after the date the State program funded under this part commences.

“(B) MINOR CHILD EXCEPTION.—In determining the number of months for which an individual who is a parent or pregnant has received assistance under the State program funded under this part, the State shall disregard any month for which such assistance was provided with respect to the individual and during which the individual was—

“(i) a minor child; and

“(ii) not the head of a household or married to the head of a household.

“(C) HARDSHIP EXCEPTION.—

“(i) IN GENERAL.—The State may exempt a family from the application of sub-
paragraph (A) of this paragraph, or sub-
paragraph (B) of paragraph (1), by reason
of hardship or if the family includes an in-
dividual who has been battered or sub-
jected to extreme cruelty.

"(ii) LIMITATION.—The number of
families with respect to which an exemp-
tion made by a State under clause (i) is in
effect for a fiscal year shall not exceed 20
percent of the average monthly number of
families to which assistance is provided
under the State program funded under this
part.

"(iii) BATTERED OR SUBJECT TO EX-
TREME CRUELTY DEFINED.—For purposes
of clause (i), an individual has been bat-
tered or subjected to extreme cruelty if the
individual has been subjected to—

"(I) physical acts that resulted
in, or threatened to result in, physical
injury to the individual;

"(II) sexual abuse;

"(III) sexual activity involving a
dependent child;
“(IV) being forced as the caretaker relative of a dependent child to engage in nonconsensual sexual acts or activities;

“(V) threats of, or attempts at, physical or sexual abuse;

“(VI) mental abuse; or

“(VII) neglect or deprivation of medical care.

“(D) RULE OF INTERPRETATION.—Subparagraph (A) of this paragraph and subparagraph (B) of paragraph (1) shall not be interpreted to require any State to provide assistance to any individual for any period of time under the State program funded under this part.

“(9) DENIAL OF ASSISTANCE FOR 10 YEARS TO A PERSON FOUND TO HAVE FRAUDULENTLY MISREPRESENTED RESIDENCE IN ORDER TO OBTAIN ASSISTANCE IN 2 OR MORE STATES.—A State to which a grant is made under section 403 shall not use any part of the grant to provide cash assistance to an individual during the 10-year period that begins on the date the individual is convicted in Federal or State court of having made a fraudulent statement.
“(i) the recipient—

“(I) is described in subparagraph (A); or

“(II) has information that is necessary for the officer to conduct the official duties of the officer; and

“(ii) the location or apprehension of the recipient is within such official duties.

“(11) DENIAL OF ASSISTANCE FOR MINOR CHILDREN WHO ARE ABSENT FROM THE HOME FOR A SIGNIFICANT PERIOD.—

“(A) IN GENERAL.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance for a minor child who has been, or is expected by a parent (or other caretaker relative) of the child to be, absent from the home for a period of 45 consecutive days or, at the option of the State, such period of not less than 30 and not more than 180 consecutive days as the State may provide for in the State plan submitted pursuant to section 402.

“(B) STATE AUTHORITY TO ESTABLISH GOOD CAUSE EXCEPTIONS.—The State may establish such good cause exceptions to subpar-
graph (A) as the State considers appropriate if such exceptions are provided for in the State plan submitted pursuant to section 402.

"(C) Denial of assistance for relative who fails to notify state agency of absence of child.—A State to which a grant is made under section 403 shall not use any part of the grant to provide assistance for an individual who is a parent (or other caretaker relative) of a minor child and who fails to notify the agency administering the State program funded under this part of the absence of the minor child from the home for the period specified in or provided for pursuant to subparagraph (A), by the end of the 5-day period that begins with the date that it becomes clear to the parent (or relative) that the minor child will be absent for such period so specified or provided for.

"(12) Medical assistance required to be provided for 1 year for families becoming ineligible for assistance under this part due to increased earnings from employment or collection of child support."
(A) IN GENERAL.—A State to which a grant is made under section 403 shall take such action as may be necessary to ensure that, if any family becomes ineligible to receive assistance under the State program funded under this part as a result of—

(i) increased earnings from employment;

(ii) the collection or increased collection of child or spousal support;

(iii) a combination of the matters described in clauses (i) and (ii); or

(iv) during the 1-year period that begins on July 1, 1997 (or the date described in section 2116(b)(1)(A) of the Personal Responsibility and Work Opportunity Act of 1996, if earlier), as a result of the State revising the standards and criteria under the State plan for determining eligibility for assistance under this part, and such family received such assistance in at least 3 of the 6 months immediately preceding the month in which such ineligibility begins, the family shall be eligible for medical assistance under the State’s plan approved under title
XIX (or, if applicable, title XV) during the immediately succeeding 12-month period for so long as family income (as defined by the State), excluding any refund of Federal income taxes made by reason of section 32 of the Internal Revenue Code of 1986 (relating to earned income tax credit) and any payment made by an employer under section 3507 of such Code (relating to advance payment of earned income credit), is less than the poverty line, and that the family will be appropriately notified of such eligibility.

"(B) EXCEPTION.—No medical assistance may be provided under subparagraph (A) to any family that contains an individual who has had all or part of any assistance provided under this part withheld, deducted, or denied as a result of the application of—

""(i) a preceding paragraph of this subsection;

""(ii) section 407(e)(1); or

""(iii) in the case of a family described in clause (iv) of subparagraph (A), a sanction imposed under the State plan under this part (as in effect on June 30, 1997
(or the day before the date described in section 2116(b)(1)(A) of the Personal Responsibility and Work Opportunity Act of 1996, if earlier)).

"(b) ALIENS.—For special rules relating to the treatment of aliens, see section 2402 of the Personal Responsibility and Work Opportunity Act of 1996.

"(c) NONDISCRIMINATION PROVISIONS.—Any program or activity that receives funds under this part shall be subject to enforcement authorized under the following provisions of law:


"(4) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.).

"SEC. 409. PENALTIES.

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

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

"(A) GENERAL PENALTY.—If an audit conducted under chapter 75 of title 31, United
States Code, finds that an amount paid to a State under section 403 for a fiscal year has been used in violation of this part, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by the amount so used.

"(B) ENHANCED PENALTY FOR INTENTIONAL VIOLATIONS.—If the State does not prove to the satisfaction of the Secretary that the State did not intend to use the amount in violation of this part, the Secretary shall further reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter by an amount equal to 5 percent of the State family assistance grant.

"(2) FAILURE TO SUBMIT REQUIRED REPORT.—

"(A) IN GENERAL.—If the Secretary determines that a State has not, within 1 month after the end of a fiscal quarter, submitted the report required by section 411(a) for the quarter, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for
the immediately succeeding fiscal year by an amount equal to 4 percent of the State family assistance grant.

"(B) RESCISSION OF PENALTY.—The Secretary shall rescind a penalty imposed on a State under subparagraph (A) with respect to a report if the State submits the report before the end of the fiscal quarter that immediately succeeds the fiscal quarter for which the report was required.

"(3) FAILURE TO SATISFY MINIMUM PARTICIPATION RATES.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has failed to comply with section 407(a) for the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant.

"(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) based on the degree of noncompliance.
"(C) ADDITIONAL PENALTY FOR CONSECUTIVE NONCOMPLIANCE.—Notwithstanding the limitation described in subparagraph (A), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for a fiscal year, in addition to the reduction imposed under subparagraph (A), by an amount equal to 5 percent of the State family assistance grant, if the Secretary determines that the State failed to comply with section 407(a) for 2 or more consecutive preceding fiscal years.

"(4) FAILURE TO PARTICIPATE IN THE INCOME AND ELIGIBILITY VERIFICATION SYSTEM.—If the Secretary determines that a State program funded under this part is not participating during a fiscal year in the income and eligibility verification system required by section 1137, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 2 percent of the State family assistance grant.

"(5) FAILURE TO COMPLY WITH PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT REQUIREMENTS UNDER PART D.—Notwithstanding any other provision of this Act, if the Secretary de-
terminates that the State agency that administers a program funded under this part does not enforce the penalties requested by the agency administering part D against recipients of assistance under the State program who fail to cooperate in establishing paternity or in establishing, modifying, or enforcing a child support order in accordance with such part and who do not qualify for any good cause or other exception established by the State under section 454(29), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year (without regard to this section) by not more than 5 percent.

"(6) FAILURE TO TIMELY REPAY A FEDERAL LOAN FUND FOR STATE WELFARE PROGRAMS.—If the Secretary determines that a State has failed to repay any amount borrowed from the Federal Loan Fund for State Welfare Programs established under section 406 within the period of maturity applicable to the loan, plus any interest owed on the loan, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year quarter (without regard to this section) by the outstanding loan amount, plus the interest owed on the outstanding amount. The Secretary
shall not forgive any outstanding loan amount or inter-
estest owed on the outstanding amount.

"(7) FAILURE OF ANY STATE TO MAINTAIN CERTAIN LEVEL OF HISTORIC EFFORT.—

"(A) IN GENERAL.—The Secretary shall reduce the grant payable to the State under section 403(a)(1) for fiscal year 1998, 1999, 2000, 2001, or 2002 by the amount (if any) by which qualified State expenditures for the then immediately preceding fiscal year are less than the applicable percentage of historic State expenditures with respect to such preceding fiscal year.

"(B) DEFINITIONS.—As used in this paragraph:

"(i) QUALIFIED STATE EXPENDITURES.—

"(I) IN GENERAL.—The term 'qualified State expenditures' means, with respect to a State and a fiscal year, the total expenditures by the State during the fiscal year, under all State programs, for any of the follow-
ing with respect to eligible families:

"(aa) Cash assistance.
“(bb) Child care assistance.

“(cc) Educational activities designed to increase self-sufficiency, job training, and work, excluding any expenditure for public education in the State except expenditures which involve the provision of services or assistance to a member of an eligible family which is not generally available to persons who are not members of an eligible family.

“(dd) Administrative costs in connection with the matters described in items (aa), (bb), (cc), and (ee), but only to the extent that such costs do not exceed 15 percent of the total amount of qualified State expenditures for the fiscal year.

“(ee) Any other use of funds allowable under section 404(a)(1).

“(II) Exclusion of transfers from other state and local pro-
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GRAMS.—Such term does not include expenditures under any State or local program during a fiscal year, except to the extent that—

"(aa) such expenditures exceed the amount expended under the State or local program in the fiscal year most recently ending before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996; or

"(bb) the State is entitled to a payment under former section 403 (as in effect immediately before such date of enactment) with respect to such expenditures.

"(III) ELIGIBLE FAMILIES.—As used in subclause (I), the term 'eligible families' means families eligible for assistance under the State program funded under this part, and families that would be eligible for such assistance but for the application of section 408(a)(8) of this Act or sec-

"(ii) APPLICABLE PERCENTAGE.—The term 'applicable percentage' means for fiscal years 1997 through 2001, 80 percent reduced (if appropriate) in accordance with subparagraph (C)(ii).

"(iii) HISTORIC STATE EXPENDITURES.—The term 'historic State expenditures' means, with respect to a State, the lesser of—

"(I) the expenditures by the State under parts A and F (as in effect during fiscal year 1994) for fiscal year 1994; or

"(II) the amount which bears the same ratio to the amount described in subclause (I) as—

"(aa) the State family assistance grant, plus the total amount required to be paid to the State under former section 403 for fiscal year 1994 with respect to amounts expended by
the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994); bears to

"(bb) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994.

Such term does not include any expenditures under the State plan approved under part A (as so in effect) on behalf of individuals covered by a tribal family assistance plan approved under section 412, as determined by the Secretary.

"(iv) Expenditures by the State.—The term 'expenditures by the State' does not include—

"(I) any expenditures from amounts made available by the Federal Government;

"(II) State funds expended for the medicaid program under title XV or XIX; or
“(III) any State funds which are used to match Federal funds or are expended as a condition of receiving Federal funds under Federal programs other than under this part.

“(C) APPLICABLE PERCENTAGE REDUCED FOR HIGH PERFORMANCE STATES.—

“(i) DETERMINATION OF HIGH PERFORMANCE STATES.—The Secretary shall use the formula developed under section 403(a)(4)(C) to assign a score to each eligible State that represents the performance of the State program funded under this part for each fiscal year, and shall prescribe a performance threshold which the Secretary shall use to determine whether to reduce the applicable percentage with respect to any eligible State for a fiscal year.

“(ii) REDUCTION PROPORTIONAL TO PERFORMANCE.—The Secretary shall reduce the applicable percentage for a fiscal year with respect to each eligible State by an amount which is directly proportional to the amount (if any) by which the score as-
signed to the State under clause (i) for the immediately preceding fiscal year exceeds the performance threshold prescribed under clause (i) for such preceding fiscal year, subject to clause (iii).

"(iii) Limitation on reduction.—
The applicable percentage for a fiscal year with respect to a State may not be reduced by more than 8 percentage points under this subparagraph.

"(8) Substantial noncompliance of state child support enforcement program with requirements of part D.—

"(A) In general.—If a State program operated under part D is found as a result of a review conducted under section 452(a)(4) not to have complied substantially with the requirements of such part for any quarter, and the Secretary determines that the program is not complying substantially with such requirements at the time the finding is made, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the quarter and each subsequent quarter that ends before the 1st quarter throughout which the program is
found to be in substantial compliance with such
requirements by—

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

"(ii) not less than 2 nor more than 3
percent, if the finding is the 2nd consecu-
tive such finding made as a result of such
a review; or

"(iii) not less than 3 nor more than 5
percent, if the finding is the 3rd or a sub-
sequent consecutive such finding made as a
result of such a review.

"(B) Disregard of noncompliance
which is of a technical nature.—For pur-
poses of subparagraph (A) and section
452(a)(4), a State which is not in full compli-
ance with the requirements of this part shall be
determined to be in substantial compliance with
such requirements only if the Secretary deter-
mines that any noncompliance with such re-
quirements is of a technical nature which does
not adversely affect the performance of the
State’s program operated under part D.

"(9) Failure of state receiving amounts
from contingency fund to maintain 100 per-
CENT OF HISTORIC EFFORT.—If, at the end of any fiscal year during which amounts from the Contingency Fund for State Welfare Programs have been paid to a State, the Secretary finds that the expenditures under the State program funded under this part for the fiscal year are less than 100 percent of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by the total of the amounts so paid to the State.

“(10) FAILURE TO COMPLY WITH PROVISIONS OF THIS PART OR THE STATE PLAN.—If, after reasonable notice and opportunity for hearing, the Secretary determines that during a fiscal year a State has not substantially complied with any provision of this part or of the State plan, the Secretary shall, if a preceding paragraph of this subsection does not apply to such noncompliance, reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not more than 5 percent of the State family assistance grant, and shall continue to impose such reduction during each succeeding fiscal year until the
Secretary determines that the State no longer is in noncompliance with such provision.

"(11) FAILURE TO COMPLY WITH 5-YEAR LIMIT ON ASSISTANCE.—If the Secretary determines that during a fiscal year a State has not complied with the provisions of section 408(a)(1)(B), the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

"(12) REQUIRED REPLACEMENT OF GRANT FUND REDUCTIONS CAUSED BY PENALTIES.—If the grant payable to a State under section 403(a)(1) for a fiscal year is reduced by reason of this subsection, the State shall, during the immediately succeeding fiscal year, expend under the State program funded under this part an amount equal to the total amount of such reductions.

"(b) REASONABLE CAUSE EXCEPTION.—

"(1) IN GENERAL.—The Secretary may not impose a penalty on a State under subsection (a) with respect to a requirement if the Secretary determines that the State has reasonable cause for failing to comply with the requirement.
"(2) Exception.—Paragraph (1) of this subsection shall not apply to any penalty under paragraph (6) or (7) of subsection (a).

"(c) Corrective Compliance Plan.—

"(1) In General.—

"(A) Notification of Violation.—Before imposing a penalty against a State under subsection (a) with respect to a violation of this part, the Secretary shall notify the State of the violation and allow the State the opportunity to enter into a corrective compliance plan in accordance with this subsection which outlines how the State will correct the violation and how the State will insure continuing compliance with this part.

"(B) 60-Day Period to Propose a Corrective Compliance Plan.—During the 60-day period that begins on the date the State receives a notice provided under subparagraph (A) with respect to a violation, the State may submit to the Federal Government a corrective compliance plan to correct the violation.

"(C) Consultation about Modifications.—During the 60-day period that begins with the date the Secretary receives a corrective
compliance plan submitted by a State in accordance with subparagraph (B), the Secretary may consult with the State on modifications to the plan.

"(D) ACCEPTANCE OF PLAN.— A corrective compliance plan submitted by a State in accordance with subparagraph (B) is deemed to be accepted by the Secretary if the Secretary does not accept or reject the plan during 60-day period that begins on the date the plan is submitted.

"(2) EFFECT OF CORRECTING VIOLATION.— The Secretary may not impose any penalty under subsection (a) with respect to any violation covered by a State corrective compliance plan accepted by the Secretary if the State corrects the violation pursuant to the plan.

"(3) EFFECT OF FAILING TO CORRECT VIOLATION.— The Secretary shall assess some or all of a penalty imposed on a State under subsection (a) with respect to a violation if the State does not, in a timely manner, correct the violation pursuant to a State corrective compliance plan accepted by the Secretary.
“(4) Inapplicability to failure to timely repay a federal loan fund for a state welfare program.—This subsection shall not apply to the imposition of a penalty against a State under subsection (a)(6).

“(d) Limitation on amount of penalty.—

“(1) In general.—In imposing the penalties described in subsection (a), the Secretary shall not reduce any quarterly payment to a State by more than 25 percent.

“(2) Carryforward of unrecovered penalties.—To the extent that paragraph (1) of this subsection prevents the Secretary from recovering during a fiscal year the full amount of penalties imposed on a State under subsection (a) of this section for a prior fiscal year, the Secretary shall apply any remaining amount of such penalties to the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year.

“Sec. 410. Appeal of adverse decision.

“(a) In general.—Within 5 days after the date the Secretary takes any adverse action under this part with respect to a State, the Secretary shall notify the chief executive officer of the State of the adverse action, including any action with respect to the State plan submitted under
section 402 or the imposition of a penalty under section 409.

"(b) ADMINISTRATIVE REVIEW.—

"(1) IN GENERAL.—Within 60 days after the date a State receives notice under subsection (a) of an adverse action, the State may appeal the action, in whole or in part, to the Departmental Appeals Board established in the Department of Health and Human Services (in this section referred to as the 'Board') by filing an appeal with the Board.

"(2) PROCEDURAL RULES.—The Board shall consider an appeal filed by a State under paragraph (1) on the basis of such documentation as the State may submit and as the Board may require to support the final decision of the Board. In deciding whether to uphold an adverse action or any portion of such an action, the Board shall conduct a thorough review of the issues and take into account all relevant evidence. The Board shall make a final determination with respect to an appeal filed under paragraph (1) not less than 60 days after the date the appeal is filed.

"(c) JUDICIAL REVIEW OF ADVERSE DECISION.—

"(1) IN GENERAL.—Within 90 days after the date of a final decision by the Board under this sec-
tion with respect to an adverse action taken against 
a State, the State may obtain judicial review of the 
final decision (and the findings incorporated into the 
final decision) by filing an action in—

“(A) the district court of the United States 
for the judicial district in which the principal or 
headquarters office of the State agency is lo-
cated; or 

“(B) the United States District Court for 
the District of Columbia.

“(2) PROCEDURAL RULES.—The district court 
in which an action is filed under paragraph (1) shall 
review the final decision of the Board on the record 
established in the administrative proceeding, in ac-
cordance with the standards of review prescribed by 
subparagraphs (A) through (E) of section 706(2) of 
title 5, United States Code. The review shall be on 
the basis of the documents and supporting data sub-
mitted to the Board.

“SEC. 411. DATA COLLECTION AND REPORTING.

“(a) QUARTERLY REPORTS BY STATES.—

“(1) GENERAL REPORTING REQUIREMENT.—

“(A) CONTENTS OF REPORT.—Each eligi-
ble State shall collect on a monthly basis, and 
report to the Secretary on a quarterly basis, the
following disaggregated case record information on the families receiving assistance under the State program funded under this part:

"(i) The county of residence of the family.

"(ii) Whether a child receiving such assistance or an adult in the family is disabled.

"(iii) The ages of the members of such families.

"(iv) The number of individuals in the family, and the relation of each family member to the youngest child in the family.

"(v) The employment status and earnings of the employed adult in the family.

"(vi) The marital status of the adults in the family, including whether such adults have never married, are widowed, or are divorced.

"(vii) The race and educational status of each adult in the family.

"(viii) The race and educational status of each child in the family.
“(ix) Whether the family received subsidized housing, medical assistance under the State plan under title XV or the State plan approved under title XIX, food stamps, or subsidized child care, and if the latter 2, the amount received.

“(x) The number of months that the family has received each type of assistance under the program.

“(xi) If the adults participated in, and the number of hours per week of participation in, the following activities:

“(I) Education.

“(II) Subsidized private sector employment.

“(III) Unsubsidized employment.

“(IV) Public sector employment, work experience, or community service.

“(V) Job search.

“(VI) Job skills training or on-the-job training.

“(VII) Vocational education.
"(xii) Information necessary to calculate participation rates under section 407.

"(xiii) The type and amount of assistance received under the program, including the amount of and reason for any reduction of assistance (including sanctions).

"(xiv) Any amount of unearned income received by any member of the family.

"(xv) The citizenship of the members of the family.

"(xvi) From a sample of closed cases, whether the family left the program, and if so, whether the family left due to—

"(I) employment;

"(II) marriage;

"(III) the prohibition set forth in section 408(a)(8);

"(IV) sanction; or

"(V) State policy.

"(B) USE OF ESTIMATES.—

"(i) AUTHORITY.—A State may comply with subparagraph (A) by submitting an estimate which is obtained through the
use of scientifically acceptable sampling
methods approved by the Secretary.

"(ii) SAMPLING AND OTHER METH-
ODS.—The Secretary shall provide the
States with such case sampling plans and
data collection procedures as the Secretary
deems necessary to produce statistically
valid estimates of the performance of State
programs funded under this part. The Sec-
retary may develop and implement proce-
dures for verifying the quality of data sub-
mitted by the States.

"(2) REPORT ON USE OF FEDERAL FUNDS TO
COVER ADMINISTRATIVE COSTS AND OVERHEAD.—
The report required by paragraph (1) for a fiscal
quarter shall include a statement of the percentage
of the funds paid to the State under this part for
the quarter that are used to cover administrative
costs or overhead.

"(3) REPORT ON STATE EXPENDITURES ON
PROGRAMS FOR NEEDY FAMILIES.—The report re-
quired by paragraph (1) for a fiscal quarter shall in-
clude a statement of the total amount expended by
the State during the quarter on programs for needy
families.
“(4) REPORT ON NONCUSTODIAL PARENTS PARTICIPATING IN WORK ACTIVITIES.—The report required by paragraph (1) for a fiscal quarter shall include the number of noncustodial parents in the State who participated in work activities (as defined in section 407(d)) during the quarter.

“(5) REPORT ON TRANSITIONAL SERVICES.—The report required by paragraph (1) for a fiscal quarter shall include the total amount expended by the State during the quarter to provide transitional services to a family that has ceased to receive assistance under this part because of employment, along with a description of such services.

“(6) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to define the data elements with respect to which reports are required by this subsection.

“(b) ANNUAL REPORTS TO THE CONGRESS BY THE SECRETARY.—Not later than 6 months after the end of fiscal year 1997, and each fiscal year thereafter, the Secretary shall transmit to the Congress a report describing—

“(1) whether the States are meeting—

“(A) the participation rates described in section 407(a); and
“(B) the objectives of—

“(i) increasing employment and earnings of needy families, and child support collections; and

“(ii) decreasing out-of-wedlock pregnancies and child poverty;

“(2) the demographic and financial characteristics of families applying for assistance, families receiving assistance, and families that become ineligible to receive assistance;

“(3) the characteristics of each State program funded under this part; and

“(4) the trends in employment and earnings of needy families with minor children living at home.

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

“(a) GRANTS FOR INDIAN TRIBES.—

“(1) TRIBAL FAMILY ASSISTANCE GRANT.—

“(A) IN GENERAL.—For each of fiscal years 1997, 1998, 1999, 2000, and 2001, the Secretary shall pay to each Indian tribe that has an approved tribal family assistance plan a tribal family assistance grant for the fiscal year in an amount equal to the amount determined under subparagraph (B), and shall reduce the
grant payable under section 403(a)(1) to any State in which lies the service area or areas of the Indian tribe by that portion of the amount so determined that is attributable to expenditures by the State.

"(B) AMOUNT DETERMINED.—

"(i) IN GENERAL.—The amount determined under this subparagraph is an amount equal to the total amount of the Federal payments to a State or States under section 403 (as in effect during such fiscal year) for fiscal year 1994 attributable to expenditures (other than child care expenditures) by the State or States under parts A and F (as so in effect) for fiscal year 1994 for Indian families residing in the service area or areas identified by the Indian tribe pursuant to subsection (b)(1)(C) of this section.

"(ii) USE OF STATE SUBMITTED DATA.—

"(I) IN GENERAL.—The Secretary shall use State submitted data to make each determination under clause (i).
“(II) DISAGREEMENT WITH DETERMINATION.—If an Indian tribe or tribal organization disagrees with State submitted data described under subclause (I), the Indian tribe or tribal organization may submit to the Secretary such additional information as may be relevant to making the determination under clause (i) and the Secretary may consider such information before making such determination.

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

“(A) IN GENERAL.—The Secretary shall pay to each eligible Indian tribe for each of fiscal years 1996, 1997, 1998, 1999, 2000, and 2001 a grant in an amount equal to the amount received by the Indian tribe in fiscal year 1994 under section 482(i) (as in effect during fiscal year 1994).

“(B) ELIGIBLE INDIAN TRIBE.—For purposes of subparagraph (A), the term ‘eligible Indian tribe’ means an Indian tribe or Alaska Native organization that conducted a job oppor-
opportunities and basic skills training program in fiscal year 1995 under section 482(i) (as in effect during fiscal year 1995).

"(C) USE OF GRANT.—Each Indian tribe to which a grant is made under this paragraph shall use the grant for the purpose of operating a program to make work activities available to members of the Indian tribe.

"(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $7,638,474 for each fiscal year specified in subparagraph (A) for grants under subparagraph (A).

"(b) 3-YEAR TRIBAL FAMILY ASSISTANCE PLAN.—

"(1) IN GENERAL.—Any Indian tribe that desires to receive a tribal family assistance grant shall submit to the Secretary a 3-year tribal family assistance plan that—

"(A) outlines the Indian tribe's approach to providing welfare-related services for the 3-year period, consistent with this section;

"(B) specifies whether the welfare-related services provided under the plan will be provided by the Indian tribe or through agree-
ments, contracts, or compacts with intertribal consortia, States, or other entities;

"(C) identifies the population and service area or areas to be served by such plan;

"(D) provides that a family receiving assistance under the plan may not receive duplicative assistance from other State or tribal programs funded under this part;

"(E) identifies the employment opportunities in or near the service area or areas of the Indian tribe and the manner in which the Indian tribe will cooperate and participate in enhancing such opportunities for recipients of assistance under the plan consistent with any applicable State standards; and


"(2) APPROVAL.—The Secretary shall approve each tribal family assistance plan submitted in accordance with paragraph (1).
"(3) CONSORTIUM OF TRIBES.—Nothing in this section shall preclude the development and submission of a single tribal family assistance plan by the participating Indian tribes of an intertribal consortium.

"(c) MINIMUM WORK PARTICIPATION REQUIREMENTS AND TIME LIMITS.—The Secretary, with the participation of Indian tribes, shall establish for each Indian tribe receiving a grant under this section minimum work participation requirements, appropriate time limits for receipt of welfare-related services under the grant, and penalties against individuals—

"(1) consistent with the purposes of this section;

"(2) consistent with the economic conditions and resources available to each tribe; and

"(3) similar to comparable provisions in section 407(d).

"(d) EMERGENCY ASSISTANCE.—Nothing in this section shall preclude an Indian tribe from seeking emergency assistance from any Federal loan program or emergency fund.

"(e) ACCOUNTABILITY.—Nothing in this section shall be construed to limit the ability of the Secretary to maintain program funding accountability consistent with—}
“(1) generally accepted accounting principles;

and

“(2) the requirements of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450 et seq.).

“(f) PENALTIES.—

“(1) Subsections (a)(1), (a)(6), and (b) of section 409, shall apply to an Indian tribe with an approved tribal assistance plan in the same manner as such subsections apply to a State.

“(2) Section 409(a)(3) shall apply to an Indian tribe with an approved tribal assistance plan by substituting ‘meet minimum work participation requirements established under section 412(c)’ for ‘comply with section 407(a)’.

“(g) DATA COLLECTION AND REPORTING.—Section 411 shall apply to an Indian tribe with an approved tribal family assistance plan.

“(h) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—

“(1) IN GENERAL.—Notwithstanding any other provision of this section, and except as provided in paragraph (2), an Indian tribe in the State of Alaska that receives a tribal family assistance grant under this section shall use the grant to operate a
program in accordance with requirements comparable to the requirements applicable to the program of the State of Alaska funded under this part. Comparability of programs shall be established on the basis of program criteria developed by the Secretary in consultation with the State of Alaska and such Indian tribes.

"(2) Waiver.—An Indian tribe described in paragraph (1) may apply to the appropriate State authority to receive a waiver of the requirement of paragraph (1).

"SEC. 413. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.

"(a) Research.—The Secretary shall conduct research on the benefits, effects, and costs of operating different State programs funded under this part, including time limits relating to eligibility for assistance. The research shall include studies on the effects of different programs and the operation of such programs on welfare dependency, illegitimacy, teen pregnancy, employment rates, child well-being, and any other area the Secretary deems appropriate. The Secretary shall also conduct research on the costs and benefits of State activities under section 409.
“(b) Development and Evaluation of Innovative Approaches To Reducing Welfare Dependency and Increasing Child Well-Being.—

“(1) In General.—The Secretary may assist States in developing, and shall evaluate, innovative approaches for reducing welfare dependency and increasing the well-being of minor children living at home with respect to recipients of assistance under programs funded under this part. The Secretary may provide funds for training and technical assistance to carry out the approaches developed pursuant to this paragraph.

“(2) Evaluations.—In performing the evaluations under paragraph (1), the Secretary shall, to the maximum extent feasible, use random assignment as an evaluation methodology.

“(c) Dissemination of Information.—The Secretary shall develop innovative methods of disseminating information on any research, evaluations, and studies conducted under this section, including the facilitation of the sharing of information and best practices among States and localities through the use of computers and other technologies.

“(d) Annual Ranking of States and Review of Most and Least Successful Work Programs.—
“(1) ANNUAL RANKING OF STATES.—The Secretary shall rank annually the States to which grants are paid under section 403 in the order of their success in placing recipients of assistance under the State program funded under this part into long-term private sector jobs, reducing the overall welfare caseload, and, when a practicable method for calculating this information becomes available, diverting individuals from formally applying to the State program and receiving assistance. In ranking States under this subsection, the Secretary shall take into account the average number of minor children living at home in families in the State that have incomes below the poverty line and the amount of funding provided each State for such families.

“(2) ANNUAL REVIEW OF MOST AND LEAST SUCCESSFUL WORK PROGRAMS.—The Secretary shall review the programs of the 3 States most recently ranked highest under paragraph (1) and the 3 States most recently ranked lowest under paragraph (1) that provide parents with work experience, assistance in finding employment, and other work preparation activities and support services to enable the families of such parents to leave the program and become self-sufficient.
"(e) Annual Ranking of States and Review of Issues Relating to Out-of-Wedlock Births.—

"(1) Annual ranking of states.—

"(A) In general.—The Secretary shall annually rank States to which grants are made under section 403 based on the following ranking factors:

"(i) Absolute out-of-wedlock ratios.—The ratio represented by—

"(I) the total number of out-of-wedlock births in families receiving assistance under the State program under this part in the State for the most recent fiscal year for which information is available; over

"(II) the total number of births in families receiving assistance under the State program under this part in the State for such year.

"(ii) Net changes in the out-of-wedlock ratio.—The difference between the ratio described in subparagraph (A)(i) with respect to a State for the most recent fiscal year for which such information is
available and the ratio with respect to the State for the immediately preceding year.

"(2) ANNUAL REVIEW.—The Secretary shall review the programs of the 5 States most recently ranked highest under paragraph (1) and the 5 States most recently ranked the lowest under paragraph (1).

"(f) STATE-INITIATED EVALUATIONS.—A State shall be eligible to receive funding to evaluate the State program funded under this part if—

"(1) the State submits a proposal to the Secretary for the evaluation;

"(2) the Secretary determines that the design and approach of the evaluation is rigorous and is likely to yield information that is credible and will be useful to other States; and

"(3) unless otherwise waived by the Secretary, the State contributes to the cost of the evaluation, from non-Federal sources, an amount equal to at least 10 percent of the cost of the evaluation.

"(g) FUNDING OF STUDIES AND DEMONSTRATIONS.—

"(1) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $15,000,000 for each
of fiscal years 1998 through 2001, for the purpose of paying—

"(A) the cost of conducting the research described in subsection (a);

"(B) the cost of developing and evaluating innovative approaches for reducing welfare dependency and increasing the well-being of minor children under subsection (b);

"(C) the Federal share of any State-initiated study approved under subsection (f); and

"(D) an amount determined by the Secretary to be necessary to operate and evaluate demonstration projects, relating to this part, that are in effect or approved under section 1115 as of September 30, 1995, and are continued after such date.

"(2) ALLOCATION.—Of the amount appropriated under paragraph (1) for a fiscal year—

"(A) 50 percent shall be allocated for the purposes described in subparagraphs (A) and (B) of paragraph (1), and

"(B) 50 percent shall be allocated for the purposes described in subparagraphs (C) and (D) of paragraph (1).
“(3) DEMONSTRATIONS OF INNOVATIVE STRATEGIES.—The Secretary may implement and evaluate demonstrations of innovative and promising strategies which—

“(A) provide one-time capital funds to establish, expand, or replicate programs;

“(B) test performance-based grant-to-loan financing in which programs meeting performance targets receive grants while programs not meeting such targets repay funding on a pro-rated basis; and

“(C) test strategies in multiple States and types of communities.

“SEC. 414. STUDY BY THE CENSUS BUREAU.

“(a) IN GENERAL.—The Bureau of the Census shall expand the Survey of Income and Program Participation as necessary to obtain such information as will enable interested persons to evaluate the impact of the amendments made by chapter 1 of the Personal Responsibility and Work Opportunity Act of 1996 on a random national sample of recipients of assistance under State programs funded under this part and (as appropriate) other low income families, and in doing so, shall pay particular attention to the issues of out-of-wedlock birth, welfare dependency,
the beginning and end of welfare spells, and the causes of repeat welfare spells.

"(b) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated $10,000,000 for each of fiscal years 1998, 1999, 2000, 2001, and 2002 for payment to the Bureau of the Census to carry out subsection (a).

"SEC. 415. WAIVERS.

"(a) CONTINUATION OF WAIVERS.—

"(1) WAIVERS IN EFFECT ON DATE OF ENACTMENT OF WELFARE REFORM.—Except as provided in paragraph (3), if any waiver granted to a State under section 1115 or otherwise which relates to the provision of assistance under a State plan under this part (as in effect on September 30, 1996) is in effect as of the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996, the amendments made by such Act (other than by section 2103(d) of such Act) shall not apply with respect to the State before the expiration (determined without regard to any extensions) of the waiver to the extent such amendments are inconsistent with the waiver.

"(2) WAIVERS GRANTED SUBSEQUENTLY.—Except as provided in paragraph (3), if any waiver
granted to a State under section 1115 or otherwise which relates to the provision of assistance under a State plan under this part (as in effect on September 30, 1996) is submitted to the Secretary before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996 and approved by the Secretary on or before July 1, 1997, and the State demonstrates to the satisfaction of the Secretary that the waiver will not result in Federal expenditures under title IV of this Act (as in effect without regard to the amendments made by the Personal Responsibility and Work Opportunity Act of 1996) that are greater than would occur in the absence of the waiver, the amendments made by the Personal Responsibility and Work Opportunity Act of 1996 (other than by section 2103(d) of such Act) shall not apply with respect to the State before the expiration (determined without regard to any extensions) of the waiver to the extent the amendments made by the Personal Responsibility and Work Opportunity Act of 1996 are inconsistent with the waiver.

“(3) FINANCING LIMITATION.—Notwithstanding any other provision of law, beginning with fiscal year 1996, a State operating under a waiver de-
scribed in paragraph (1) shall be entitled to payment under section 403 for the fiscal year, in lieu of any other payment provided for in the waiver.

"(b) STATE OPTION TO TERMINATE WAIVER.—

"(1) IN GENERAL.—A State may terminate a waiver described in subsection (a) before the expiration of the waiver.

"(2) REPORT.—A State which terminates a waiver under paragraph (1) shall submit a report to the Secretary summarizing the waiver and any available information concerning the result or effect of the waiver.

"(3) HOLD HARMLESS PROVISION.—

"(A) IN GENERAL.—Notwithstanding any other provision of law, a State that, not later than the date described in subparagraph (B), submits a written request to terminate a waiver described in subsection (a) shall be held harmless for accrued cost neutrality liabilities incurred under the waiver.

"(B) DATE DESCRIBED.—The date described in this subparagraph is 90 days following the adjournment of the first regular session of the State legislature that begins after the
date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996.

"(c) SECRETARIAL ENCOURAGEMENT OF CURRENT WAIVERS.—The Secretary shall encourage any State operating a waiver described in subsection (a) to continue the waiver and to evaluate, using random sampling and other characteristics of accepted scientific evaluations, the result or effect of the waiver.

"(d) CONTINUATION OF INDIVIDUAL WAIVERS.—A State may elect to continue 1 or more individual waivers described in subsection (a).

"SEC. 416. ADMINISTRATION.

"The programs under this part and part D shall be administered by an Assistant Secretary for Family Support within the Department of Health and Human Services, who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be in addition to any other Assistant Secretary of Health and Human Services provided for by law, and the Secretary shall reduce the Federal workforce within the Department of Health and Human Services by an amount equal to the sum of 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 pro-
gram under the Personal Responsibility and Work Opportunity Act of 1996 and the amendments made by such Act, and by 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 any direct spending program, or any program funded through discretionary spending, that has been converted into a block grant program under the Personal Responsibility and Work Opportunity Act of 1996 and the amendments made by such Act, as such amount relates to the total amount appropriated for use by such Department, and, notwithstanding any other provision of law, the Secretary 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 by 245 full-time equivalent positions related to the program converted into a block grant under the amendment made by section 2103 of the Personal Responsibility and Work Opportunity Act of 1996, and by 60 full-time equivalent managerial positions in the Department.
"SEC. 417. LIMITATION ON FEDERAL AUTHORITY.

"No officer or employee of the Federal Government may regulate the conduct of States under this part or enforce any provision of this part, except to the extent expressly provided in this part."; and

(2) by inserting after such section 418 the following:

"SEC. 419. DEFINITIONS.

"As used in this part:

"(1) ADULT.—The term ‘adult’ means an individual who is not a minor child.

"(2) MINOR CHILD.—The term ‘minor child’ means an individual who—

"(A) has not attained 18 years of age; or

"(B) has not attained 19 years of age and is a full-time student in a secondary school (or in the equivalent level of vocational or technical training).

"(3) FISCAL YEAR.—The term ‘fiscal year’ means any 12-month period ending on September 30 of a calendar year.

"(4) INDIAN, INDIAN TRIBE, AND TRIBAL ORGANIZATION.—

"(A) IN GENERAL.—Except as provided in subparagraph (B), the terms ‘Indian’, ‘Indian tribe’, and ‘tribal organization’ have the mean-
ing given such terms by section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b).

“(B) SPECIAL RULE FOR INDIAN TRIBES IN ALASKA.—The term ‘Indian tribe’ means, with respect to the State of Alaska, only the Metlakatla Indian Community of the Annette Islands Reserve and the following Alaska Native regional nonprofit corporations:

“(i) Arctic Slope Native Association.
“(ii) Kawerak, Inc.
“(iii) Maniilaq Association.
“(iv) Association of Village Council Presidents.
“(v) Tanana Chiefs Conference.
“(vi) Cook Inlet Tribal Council.
“(vii) Bristol Bay Native Association.
“(viii) Aleutian and Pribilof Island Association.
“(ix) Chugachmuit.
“(x) Tlingit Haida Central Council.
“(xi) Kodiak Area Native Association.
“(xii) Copper River Native Association.

“(5) STATE.—
"(A) IN GENERAL.—Except as otherwise specifically provided, the term ‘State’ means the 50 States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, and American Samoa.

"(B) STATE OPTION TO CONTRACT TO PROVIDE SERVICES.—The term ‘State’ includes the—

"(i) administration and provision of services under the program funded under this part, or under the programs funded under parts B and E of this title, through contracts with charitable, religious, or private organizations; and

"(ii) provision to beneficiaries of assistance under such programs with certificates, vouchers, or other forms of disbursement which are redeemable with such organizations.”.

(b) GRANTS TO OUTLYING AREAS.—Section 1108 (42 U.S.C. 1308) is amended—

(1) by redesignating subsection (c) as subsection (g);
(2) by striking all that precedes subsection (c) and inserting the following:

"SEC. 1108. ADDITIONAL GRANTS TO PUERTO RICO, THE VIRGIN ISLANDS, GUAM, AND AMERICAN SAMOA; LIMITATION ON TOTAL PAYMENTS.

“(a) LIMITATION ON TOTAL PAYMENTS TO EACH TERRITORY.—Notwithstanding any other provision of this Act, the total amount certified by the Secretary of Health and Human Services under titles I, X, XIV, and XVI, under parts A and E of title IV, and under subsection (b) of this section, for payment to any territory for a fiscal year shall not exceed the ceiling amount for the territory for the fiscal year.

“(b) ENTITLEMENT TO MATCHING GRANT.—

“(1) IN GENERAL.—Each territory shall be entitled to receive from the Secretary for each fiscal year a grant in an amount equal to 75 percent of the amount (if any) by which—

“(A) the total expenditures of the territory during the fiscal year under the territory programs funded under parts A and E of title IV; exceeds

“(B) the sum of—

“(i) the total amount required to be paid to the territory (other than with re-
spect to child care) under former section 403 (as in effect on September 30, 1995) for fiscal year 1995, which shall be determined by applying subparagraphs (C) and (D) of section 403(a)(1) to the territory;

"(ii) the total amount required to be paid to the territory under former section 434 (as so in effect) for fiscal year 1995; and

"(iii) the total amount expended by the territory during fiscal year 1995 pursuant to parts A and F of title IV (as so in effect), other than for child care.

"(2) USE OF GRANT.—Any territory to which a grant is made under paragraph (1) may expend the amount under any program operated or funded under any provision of law specified in subsection (a).

"(c) DEFINITIONS.—As used in this section:

"(1) TERRITORY.—The term ‘territory’ means Puerto Rico, the Virgin Islands, Guam, and American Samoa.

"(2) CEILING AMOUNT.—The term ‘ceiling amount’ means, with respect to a territory and a fiscal year, the mandatory ceiling amount with respect
to the territory, reduced for the fiscal year in accordance with subsection (e).

"(3) MANDATORY CEILING AMOUNT.—The term 'mandatory ceiling amount' means—

"(A) $102,040,000 with respect to Puerto Rico;

"(B) $4,683,000 with respect to Guam;

"(C) $3,554,000 with respect to the Virgin Islands; and

"(D) $1,000,000 with respect to American Samoa.

"(4) TOTAL AMOUNT EXPENDED BY THE TERRITORY.—The term 'total amount expended by the territory'—

"(A) does not include expenditures during the fiscal year from amounts made available by the Federal Government; and

"(B) when used with respect to fiscal year 1995, also does not include—

"(i) expenditures during fiscal year 1995 under subsection (g) or (i) of section 402 (as in effect on September 30, 1995); or

"(ii) any expenditures during fiscal year 1995 for which the territory (but for
section 1108, as in effect on September 30, 1995) would have received reimbursement from the Federal Government.

“(d) AUTHORITY TO TRANSFER FUNDS AMONG PROGRAMS.—Notwithstanding any other provision of this Act, any territory to which an amount is paid under any provision of law specified in subsection (a) may use part or all of the amount to carry out any program operated by the territory, or funded, under any other such provision of law.

“(e) MAINTENANCE OF EFFORT.—The ceiling amount with respect to a territory shall be reduced for a fiscal year by an amount equal to the amount (if any) by which—

“(1) the total amount expended by the territory under all programs of the territory operated pursuant to the provisions of law specified in subsection (a) (as such provisions were in effect for fiscal year 1995) for fiscal year 1995; exceeds

“(2) the total amount expended by the territory under all programs of the territory that are funded under the provisions of law specified in subsection (a) for the fiscal year that immediately precedes the fiscal year referred to in the matter preceding paragraph (1).”; and
(3) by striking subsections (d) and (e).

(c) REPEAL OF PROVISIONS REQUIRING REDUCTION OF MEDICAID PAYMENTS TO STATES THAT REDUCE WELFARE PAYMENT LEVELS.—

(1) Section 1903(i) (42 U.S.C. 1396b(i)) is amended by striking paragraph (9).

(2) Section 1902 (42 U.S.C. 1396a) is amended by striking subsection (c).

(d) ELIMINATION OF CHILD CARE PROGRAMS UNDER THE SOCIAL SECURITY ACT.—

(1) AFDC AND TRANSITIONAL CHILD CARE PROGRAMS.—Section 402 (42 U.S.C. 602) is amended by striking subsection (g).

(2) AT-RISK CHILD CARE PROGRAM.—

(A) AUTHORIZATION.—Section 402 (42 U.S.C. 602) is amended by striking subsection (i).

(B) FUNDING PROVISIONS.—Section 403 (42 U.S.C. 603) is amended by striking subsection (n).

SEC. 2104. SERVICES PROVIDED BY CHARITABLE, RELIGIOUS, OR PRIVATE ORGANIZATIONS.

(a) IN GENERAL.—

(1) STATE OPTIONS.—A State may—
(A) administer and provide services under
the programs described in subparagraphs (A)
and (B)(i) of paragraph (2) through contracts
with charitable, religious, or private organiza-
tions; and

(B) provide beneficiaries of assistance
under the programs described in subparagraphs
(A) and (B)(ii) of paragraph (2) with certifi-
cates, vouchers, or other forms of disbursement
which are redeemable with such organizations.

(2) PROGRAMS DESCRIBED.—The programs de-
scribed in this paragraph are the following pro-
grams:

(A) A State program funded under part A
of title IV of the Social Security Act (as amend-
ed by section 2103(a) of this Act).

(B) Any other program established or
modified under chapter 1 or 2 of this subtitle,
that—

(i) permits contracts with organiza-
tions; or

(ii) permits certificates, vouchers, or
other forms of disbursement to be provided
to beneficiaries, as a means of providing
assistance.
(b) RELIGIOUS ORGANIZATIONS.—The purpose of this section is to allow States to contract with religious organizations, or to allow religious organizations to accept certificates, vouchers, or other forms of disbursement under any program described in subsection (a)(2), on the same basis as any other nongovernmental provider without impairing the religious character of such organizations, and without diminishing the religious freedom of beneficiaries of assistance funded under such program.

(c) NONDISCRIMINATION AGAINST RELIGIOUS ORGANIZATIONS.—In the event a State exercises its authority under subsection (a), religious organizations are eligible, on the same basis as any other private organization, as contractors to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, under any program described in subsection (a)(2) so long as the programs are implemented consistent with the Establishment Clause of the United States Constitution. Except as provided in subsection (k), neither the Federal Government nor a State receiving funds under such programs shall discriminate against an organization which is or applies to be a contractor to provide assistance, or which accepts certificates, vouchers, or other forms of disbursement, on the basis that the organization has a religious character.

(d) RELIGIOUS CHARACTER AND FREEDOM.—
(1) RELIGIOUS ORGANIZATIONS.—A religious organization with a contract described in subsection (a)(1)(A), or which accepts certificates, vouchers, or other forms of disbursement under subsection (a)(1)(B), shall retain its independence from Federal, State, and local governments, including such organization’s control over the definition, development, practice, and expression of its religious beliefs.

(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State shall require a religious organization to—

(A) alter its form of internal governance; or

(B) remove religious art, icons, scripture, or other symbols; in order to be eligible to contract to provide assistance, or to accept certificates, vouchers, or other forms of disbursement, funded under a program described in subsection (a)(2).

(e) RIGHTS OF BENEFICIARIES OF ASSISTANCE.—

(1) IN GENERAL.—If an individual described in paragraph (2) has an objection to the religious character of the organization or institution from which the individual receives, or would receive, assistance funded under any program described in subsection
(a)(2), the State in which the individual resides shall provide such individual (if otherwise eligible for such assistance) within a reasonable period of time after the date of such objection with assistance from an alternative provider that is accessible to the individual and the value of which is not less than the value of the assistance which the individual would have received from such organization.

(2) INDIVIDUAL DESCRIBED.—An individual described in this paragraph is an individual who receives, applies for, or requests to apply for, assistance under a program described in subsection (a)(2).

(f) EMPLOYMENT PRACTICES.—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e–1a) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described in subsection (a)(2).

(g) NONDISCRIMINATION AGAINST BENEFICIARIES.—Except as otherwise provided in law, a religious organization shall not discriminate against an individual in regard to rendering assistance funded under any program described in subsection (a)(2) on the basis of religion, a religious belief, or refusal to actively participate in a religious practice.
(h) Fiscal Accountability.—

(1) In general.—Except as provided in paragraph (2), any religious organization contracting to provide assistance funded under any program described in subsection (a)(2) shall be subject to the same regulations as other contractors to account in accord with generally accepted auditing principles for the use of such funds provided under such programs.

(2) Limited Audit.—If such organization segregates Federal funds provided under such programs into separate accounts, then only the financial assistance provided with such funds shall be subject to audit.

(i) Compliance.—Any party which seeks to enforce its rights under this section may assert a civil action for injunctive relief exclusively in an appropriate State court against the entity or agency that allegedly commits such violation.

(j) Limitations on Use of Funds for Certain Purposes.—No funds provided directly to institutions or organizations to provide services and administer programs under subsection (a)(1)(A) shall be expended for sectarian worship, instruction, or proselytization.
(k) PREEMPTION.—Nothing in this section shall be construed to preempt any provision of a State constitution or State statute that prohibits or restricts the expenditure of State funds in or by religious organizations.

SEC. 2105. CENSUS DATA ON GRANDPARENTS AS PRIMARY CAREGIVERS FOR THEIR GRANDCHILDREN.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Commerce, in carrying out section 141 of title 13, United States Code, shall expand the data collection efforts of the Bureau of the Census (in this section referred to as the “Bureau”) to enable the Bureau to collect statistically significant data, in connection with its decennial census and its mid-decade census, concerning the growing trend of grandparents who are the primary caregivers for their grandchildren.

(b) EXPANDED CENSUS QUESTION.—In carrying out subsection (a), the Secretary of Commerce shall expand the Bureau’s census question that details households which include both grandparents and their grandchildren. The expanded question shall be formulated to distinguish between the following households:

(1) A household in which a grandparent temporarily provides a home for a grandchild for a period
of weeks or months during periods of parental dis-
tress.

(2) A household in which a grandparent pro-
vides a home for a grandchild and serves as the pri-
mary caregiver for the grandchild.

SEC. 2106. REPORT ON DATA PROCESSING.

(a) IN GENERAL.—Within 6 months after the date
of the enactment of this Act, the Secretary of Health and
Human Services shall prepare and submit to the Congress
a report on—

(1) the status of the automated data processing
systems operated by the States to assist manage-
ment in the administration of State programs under
part A of title IV of the Social Security Act (whether
in effect before or after October 1, 1995); and

(2) what would be required to establish a sys-
tem capable of—

(A) tracking participants in public pro-
grams over time; and

(B) checking case records of the States to
determine whether individuals are participating
in public programs of 2 or more States.

(b) PREFERRED CONTENTS.—The report required by
subsection (a) should include—
(1) a plan for building on the automated data processing systems of the States to establish a system with the capabilities described in subsection (a)(2); and

(2) an estimate of the amount of time required to establish such a system and of the cost of establishing such a system.

SEC. 2107. STUDY ON ALTERNATIVE OUTCOMES MEASURES.

(a) STUDY.—The Secretary shall, in cooperation with the States, study and analyze outcomes measures for evaluating the success of the States in moving individuals out of the welfare system through employment as an alternative to the minimum participation rates described in section 407 of the Social Security Act. The study shall include a determination as to whether such alternative outcomes measures should be applied on a national or a State-by-State basis and a preliminary assessment of the effects of section 409(a)(7)(C) of such Act.

(b) REPORT.—Not later than September 30, 1998, the Secretary shall submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives a report containing the findings of the study required by subsection (a).
SEC. 2108. WELFARE FORMULA FAIRNESS COMMISSION.

(a) ESTABLISHMENT.—There is established a commission to be known as the Welfare Formula Fairness Commission (in this section referred to as the “Commission”).

(b) MEMBERSHIP.—

(1) COMPOSITION.—The Commission shall be composed of 13 members, of whom—

(A) 3 shall be appointed by the President, of whom not more than 2 shall be of the same political party;

(B) 3 shall be appointed by the Majority Leader of the Senate;

(C) 2 shall be appointed by the Minority Leader of the Senate;

(D) 3 shall be appointed by the Speaker of the House of Representatives; and

(E) 2 shall be appointed by the Minority Leader of the House of Representatives.

(2) DATE.—The appointments of the members of the Commission shall be made not later than 30 days after the date of the enactment of this Act.

(c) PERIOD OF APPOINTMENT; VACANCIES.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but
shall be filled in the same manner as the original appointment.

(d) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(e) MEETINGS.—The Commission shall meet at the call of the Chair.

(f) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

(g) CHAIR AND VICE CHAIR.—The Commission shall select a Chair and Vice Chair from among its members.

(h) DUTIES OF THE COMMISSION.—

(1) STUDY.—The Commission shall study—

(A) the temporary assistance for needy families block grant program established under part A of title IV of the Social Security Act, as amended by section 2103 of this Act; and

(B) the funding formulas applied, the bonus payments provided, and the work requirements established under such program.

(2) REPORT.—Not later than September 1, 1998, the Commission shall submit a report to the
Congress on the matters studied under paragraph (1).

(i) **POWERS OF THE COMMISSION.**—

(1) **HEARINGS.**—The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out the purposes of this section.

(2) **INFORMATION FROM FEDERAL AGENCIES.**—
The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out the provisions of this section. Upon request of the Chair of the Commission, the head of such department or agency shall furnish such information to the Commission.

(3) **POSTAL SERVICES.**—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(4) **GIFTS.**—The Commission may accept, use, and dispose of gifts or donations of services or property.

(j) **PERSONNEL MATTERS.**—
(1) COMPENSATION OF MEMBERS.—Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(2) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(3) STAFF.—

(A) IN GENERAL.—The Chair of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional
personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(B) COMPENSATION.—The Chair of the Commission may fix the compensation of the executive director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(4) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(5) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chair of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily
equivalent of the annual rate of basic pay prescribed
for level V of the Executive Schedule under section
5316 of such title.

(k) TERMINATION OF THE COMMISSION.—The Com-
mission shall terminate not later than December 31, 1998.

(l) AUTHORIZATION OF APPROPRIATIONS.—There is
authorized to be appropriated to the Commission such
sums as are necessary to carry out the purposes of this
section.

SEC. 2109. CONFORMING AMENDMENTS TO THE SOCIAL SE-
CURITY ACT.

(a) AMENDMENTS TO PART D OF TITLE IV.—

(1) Section 451 (42 U.S.C. 651) is amended by
striking “aid” and inserting “assistance under a
State program funded”.

(2) Section 452(a)(10)(C) (42 U.S.C.
652(a)(10)(C)) is amended—

(A) by striking “aid to families with de-
pendent children” and inserting “assistance under a State program funded under part A”;

(B) by striking “such aid” and inserting
“such assistance”; and

(C) by striking “under section 402(a)(26)
or” and inserting “pursuant to section
408(a)(4) or under section”.

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Section 452(a)(10)(F) (42 U.S.C. 652(a)(10)(F)) is amended—

(A) by striking "aid under a State plan approved" and inserting "assistance under a State program funded"; and

(B) by striking "in accordance with the standards referred to in section 402(a)(26)(B)(ii)" and inserting "by the State".

Section 452(b) (42 U.S.C. 652(b)) is amended in the first sentence by striking "aid under the State plan approved under part A" and inserting "assistance under the State program funded under part A".

Section 452(d)(3)(B)(i) (42 U.S.C. 652(d)(3)(B)(i)) is amended by striking "1115(c)" and inserting "1115(b)".

Section 452(g)(2)(A)(ii)(I) (42 U.S.C. 652(g)(2)(A)(ii)(I)) is amended by striking "aid is being paid under the State's plan approved under part A or E" and inserting "assistance is being provided under the State program funded under part A".

Section 452(g)(2)(A) (42 U.S.C. 652(g)(2)(A)) is amended in the matter following
clause (iii) by striking "aid was being paid under the State's plan approved under part A or E" and inserting "assistance was being provided under the State program funded under part A".

(8) Section 452(g)(2) (42 U.S.C. 652(g)(2)) is amended in the matter following subparagraph (B)—

(A) by striking "who is a dependent child" and inserting "with respect to whom assistance is being provided under the State program funded under part A";

(B) by inserting "by the State" after "found"; and

(C) by striking "to have good cause for refusing to cooperate under section 402(a)(26)" and inserting "to qualify for a good cause or other exception to cooperation pursuant to section 454(29)".

(9) Section 452(h) (42 U.S.C. 652(h)) is amended by striking "under section 402(a)(26)" and inserting "pursuant to section 408(a)(4)".

(10) Section 453(c)(3) (42 U.S.C. 653(c)(3)) is amended by striking "aid under part A of this title" and inserting "assistance under a State program funded under part A".
(11) Section 454(5)(A) (42 U.S.C. 654(5)(A)) is amended—

(A) by striking “under section 402(a)(26)” and inserting “pursuant to section 408(a)(4)”; and

(B) by striking “; except that this paragraph shall not apply to such payments for any month following the first month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A,” and inserting a comma.

(12) Section 454(6)(D) (42 U.S.C. 654(6)(D)) is amended by striking “aid under a State plan approved” and inserting “assistance under a State program funded”.

(13) Section 456(a)(1) (42 U.S.C. 656(a)(1)) is amended by striking “under section 402(a)(26)”.


(15) Section 466(b)(2) (42 U.S.C. 666(b)(2)) is amended by striking “aid” and inserting “assistance under a State program funded”.

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(16) Section 469(a) (42 U.S.C. 669(a)) is amended—

(A) by striking "aid under plans approved"
and inserting "assistance under State programs funded"; and

(B) by striking "such aid" and inserting "such assistance".

(b) REPEAL OF PART F OF TITLE IV.—Part F of title IV (42 U.S.C. 681-687) is repealed.

(c) AMENDMENT TO TITLE X.—Section 1002(a)(7) (42 U.S.C. 1202(a)(7)) is amended by striking "aid to families with dependent children under the State plan approved under section 402 of this Act" and inserting "assistance under a State program funded under part A of title IV".

(d) AMENDMENTS TO TITLE XI.—

(1) Section 1109 (42 U.S.C. 1309) is amended by striking "or part A of title IV,".

(2) Section 1115 (42 U.S.C. 1315) is amended—

(A) in subsection (a)(2)—

(i) by inserting "(A)" after "(2)";

(ii) by striking "403,";

(iii) by striking the period at the end and inserting ", and"; and
(iv) by adding at the end the following new subparagraph:

"(B) costs of such project which would not otherwise be a permissible use of funds under part A of title IV and which are not included as part of the costs of projects under section 1110, shall to the extent and for the period prescribed by the Secretary, be regarded as a permissible use of funds under such part."; and

(B) in subsection (c)(3), by striking "the program of aid to families with dependent children" and inserting "part A of such title".

(3) Section 1116 (42 U.S.C. 1316) is amended—

(A) in each of subsections (a)(1), (b), and (d), by striking "or part A of title IV,"; and

(B) in subsection (a)(3), by striking "404,"

(4) Section 1118 (42 U.S.C. 1318) is amended—

(A) by striking "403(a),";

(B) by striking "and part A of title IV,"

and
(C) by striking "", and shall, in the case of American Samoa, mean 75 per centum with respect to part A of title IV".

(5) Section 1119 (42 U.S.C. 1319) is amended—

(A) by striking "or part A of title IV"; and

(B) by striking "403(a),".

(6) Section 1133(a) (42 U.S.C. 1320b–3(a)) is amended by striking "or part A of title IV,"

(7) Section 1136 (42 U.S.C. 1320b–6) is repealed.

(8) Section 1137 (42 U.S.C. 1320b–7) is amended—

(A) in subsection (b), by striking paragraph (1) and inserting the following:

"(1) any State program funded under part A of title IV of this Act;"; and

(B) in subsection (d)(1)(B)—

(i) by striking "In this subsection—"

and all that follows through "(ii) in" and inserting "In this subsection, in";

(ii) by redesignating subclauses (I), (II), and (III) as clauses (i), (ii), and (iii); and
(iii) by moving such redesignated material 2 ems to the left.

(e) AMENDMENT TO TITLE XIV.—Section 1402(a)(7) (42 U.S.C. 1352(a)(7)) is amended by striking “aid to families with dependent children under the State plan approved under section 402 of this Act” and inserting “assistance under a State program funded under part A of title IV”.

(f) AMENDMENT TO TITLE XVI AS IN EFFECT WITH RESPECT TO THE TERRITORIES.—Section 1602(a)(11), as in effect without regard to the amendment made by section 301 of the Social Security Amendments of 1972 (42 U.S.C. 1382 note), is amended by striking “aid under the State plan approved” and inserting “assistance under a State program funded”.

(g) AMENDMENT TO TITLE XVI AS IN EFFECT WITH RESPECT TO THE STATES.—Section 1611(c)(5)(A) (42 U.S.C. 1382(c)(5)(A)) is amended to read as follows: “(A) a State program funded under part A of title IV,”.

(h) AMENDMENT TO TITLE XIX.—Section 1902(j) (42 U.S.C. 1396a(j)) is amended by striking “1108(c)” and inserting “1108(g)”.

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SEC. 2110. CONFORMING AMENDMENTS TO THE FOOD STAMP ACT OF 1977 AND RELATED PROVISIONS.

(a) Section 5 of the Food Stamp Act of 1977 (7 U.S.C. 2014) is amended—

(1) in the second sentence of subsection (a), by striking "plan approved" and all that follows through "title IV of the Social Security Act" and inserting "program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)";

(2) in subsection (d)—

(A) in paragraph (5), by striking "assistance to families with dependent children" and inserting "assistance under a State program funded"; and

(B) by striking paragraph (13) and redesignating paragraphs (14), (15), and (16) as paragraphs (13), (14), and (15), respectively;

(3) in subsection (j), by striking "plan approved under part A of title IV of such Act (42 U.S.C. 601 et seq.)" and inserting "program funded under part A of title IV of the Act (42 U.S.C. 601 et seq.)";

and

(4) by striking subsection (m) and redesignating subsection (n), as added by section 1122, as subsection (m).
(b) Section 6 of such Act (7 U.S.C. 2015) is amended—

(1) in subsection (c)(5), by striking “the State plan approved” and inserting “the State program funded”; and

(2) in subsection (e)(6), by striking “aid to families with dependent children” and inserting “benefits under a State program funded”.

(c) Section 16(g)(4) of such Act (7 U.S.C. 2025(g)(4)) is amended by striking “State plans under the Aid to Families with Dependent Children Program under” and inserting “State programs funded under part A of”.

(d) Section 17(b)(3) of such Act (7 U.S.C. 2026(b)(3)) is amended by adding at the end the following new subparagraph:

“(I) The Secretary may not grant a waiver under this paragraph on or after October 1, 1995. Any reference in this paragraph to a provision of title IV of the Social Security Act shall be deemed to be a reference to such provision as in effect on September 30, 1995.”.

(e) Section 20 of such Act (7 U.S.C. 2029) is amended—

(1) in subsection (a)(2)(B) by striking “operating—” and all that follows through “(ii) any other” and inserting “operating any”; and
(2) in subsection (b)—
   (A) in paragraph (1)—
      (i) by striking "(b)(1) A household’’
   and inserting "(b) A household’’; and
      (ii) in subparagraph (B), by striking
   “training program” and inserting “activity”; 
   (B) by striking paragraph (2); and
   (C) by redesignating subparagraphs (A) 
   through (F) as paragraphs (1) through (6), re-
   spectively.

(f) Section 5(h)(1) of the Agriculture and Consumer 
Protection Act of 1973 (Public Law 93–186; 7 U.S.C. 
612c note) is amended by striking “the program for aid 
to families with dependent children” and inserting “the 
State program funded”.

(g) Section 9 of the National School Lunch Act (42 
U.S.C. 1758) is amended—
   (1) in subsection (b)—
      (A) in paragraph (2)(B)(ii)(II), as amend-
ed by section 1202(b)—
      (i) by striking “program for aid to 
families with dependent children” and in-
serting “State program funded”; and
(ii) by inserting before the period at
the end the following: "(42 U.S.C. 601 et
seq.) that the Secretary determines com-
plies with standards established by the
Secretary that ensure that the standards
under the State program are comparable
to or more restrictive than those in effect
on June 1, 1995"; and

(B) in paragraph (6)—

(i) in subparagraph (A)(ii)—

(I) by striking "an AFDC assist-
ance unit (under the aid to families
with dependent children program au-
thorized" and inserting "a family
(under the State program funded";
and

(II) by striking "in a State"
and all that follows through
"9902(2))" and inserting "that the
Secretary determines complies with
standards established by the Secretary
that ensure that the standards under
the State program are comparable to
or more restrictive than those in effect
on June 1, 1995"; and
(ii) in subparagraph (B), by striking "aid to families with dependent children"
and inserting "assistance under the State program funded under part A of title IV of
the Social Security Act (42 U.S.C. 601 et seq.) that the Secretary determines com-
plies with standards established by the Secretary that ensure that the standards
under the State program are comparable to or more restrictive than those in effect
on June 1, 1995"; and
(2) in subsection (d)(2)(C)—
(A) by striking "program for aid to fami-
lies with dependent children" and inserting
"State program funded"; and
(B) by inserting before the period at the end the following: "(42 U.S.C. 601 et seq.) that the Secretary determines complies with stand-
ards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995".
(h) Section 17(d)(2)(A)(ii)(II) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(d)(2)(A)(ii)(II)) is amend-
(1) by striking "program for aid to families with dependent children established" and inserting "State program funded"; and

(2) by inserting before the semicolon the following: "(42 U.S.C. 601 et seq.) that the Secretary determines complies with standards established by the Secretary that ensure that the standards under the State program are comparable to or more restrictive than those in effect on June 1, 1995".

SEC. 2111. CONFORMING AMENDMENTS TO OTHER LAWS.

(a) Subsection (b) of section 508 of the Unemployment Compensation Amendments of 1976 (42 U.S.C. 603a; Public Law 94–566; 90 Stat. 2689) is amended to read as follows:

"(b) Provision for Reimbursement of Expenses.—For purposes of section 455 of the Social Security Act, expenses incurred to reimburse State employment offices for furnishing information requested of such offices—

"(1) pursuant to the third sentence of section 3(a) of the Act entitled 'An Act to provide for the establishment of a national employment system and for cooperation with the States in the promotion of such system, and for other purposes,' approved June 6, 1933 (29 U.S.C. 49b(a)), or
(2) by a State or local agency charged with the duty of carrying a State plan for child support approved under part D of title IV of the Social Security Act, shall be considered to constitute expenses incurred in the administration of such State plan.”.

(b) Section 9121 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note) is repealed.

c) Section 9122 of the Omnibus Budget Reconciliation Act of 1987 (42 U.S.C. 602 note) is repealed.

d) Section 221 of the Housing and Urban-Rural Recovery Act of 1983 (42 U.S.C. 602 note), relating to treatment under AFDC of certain rental payments for federally assisted housing, is repealed.

e) Section 159 of the Tax Equity and Fiscal Responsibility Act of 1982 (42 U.S.C. 602 note) is repealed.

(f) Section 202(d) of the Social Security Amendments of 1967 (81 Stat. 882; 42 U.S.C. 602 note) is repealed.

g) Section 903 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988 (42 U.S.C. 11381 note), relating to demonstration projects to reduce number of AFDC families in welfare hotels, is amended—

(1) in subsection (a), by striking “aid to families with dependent children under a State plan ap-
proved” and inserting “assistance under a State program funded”; and

(2) in subsection (c), by striking “aid to families with dependent children in the State under a State plan approved” and inserting “assistance in the State under a State program funded”.

(h) The Higher Education Act of 1965 (20 U.S.C. 1001 et seq.) is amended—

(1) in section 404C(c)(3) (20 U.S.C. 1070a–23(c)(3)), by striking “(Aid to Families with Dependent Children)”; and

(2) in section 480(b)(2) (20 U.S.C. 1087vv(b)(2)), by striking “aid to families with dependent children under a State plan approved” and inserting “assistance under a State program funded”.

(i) The Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2301 et seq.) is amended—


(2) in section 232(b)(2)(B) (20 U.S.C. 2341a(b)(2)(B)), by striking “the program for aid to
families with dependent children” and inserting “the State program funded”; and

(3) in section 521(14)(B)(iii) (20 U.S.C. 2471(14)(B)(iii)), by striking “the program for aid to families with dependent children” and inserting “the State program funded”.

(j) The Elementary and Secondary Education Act of 1965 (20 U.S.C. 2701 et seq.) is amended—

(1) in section 1113(a)(5) (20 U.S.C. 6313(a)(5)), by striking “Aid to Families with Dependent Children program” and inserting “State program funded under part A of title IV of the Social Security Act”;

(2) in section 1124(c)(5) (20 U.S.C. 6333(c)(5)), by striking “the program of aid to families with dependent children under a State plan approved under” and inserting “a State program funded under part A of”; and

(3) in section 5203(b)(2) (20 U.S.C. 7233(b)(2))—

(A) in subparagraph (A)(xi), by striking “Aid to Families with Dependent Children benefits” and inserting “assistance under a State program funded under part A of title IV of the Social Security Act”; and
(B) in subparagraph (B)(viii), by striking "Aid to Families with Dependent Children" and inserting "assistance under the State program funded under part A of title IV of the Social Security Act".

(k) The 4th proviso of chapter VII of title I of Public Law 99–88 (25 U.S.C. 13d–1) is amended to read as follows: "Provided further, That general assistance payments made by the Bureau of Indian Affairs shall be made—

"(1) after April 29, 1985, and before October 1, 1995, on the basis of Aid to Families with Dependent Children (AFDC) standards of need; and

"(2) on and after October 1, 1995, on the basis of standards of need established under the State program funded under part A of title IV of the Social Security Act,

except that where a State ratably reduces its AFDC or State program payments, the Bureau shall reduce general assistance payments in such State by the same percentage as the State has reduced the AFDC or State program payment."

(l) The Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.) is amended—

(1) in section 51(d)(9) (26 U.S.C. 51(d)(9)), by striking all that follows "agency as" and inserting
“being eligible for financial assistance under part A of title IV of the Social Security Act and as having continually received such financial assistance during the 90-day period which immediately precedes the date on which such individual is hired by the employer.”;

(2) in section 3304(a)(16) (26 U.S.C. 3304(a)(16)), by striking “eligibility for aid or services,” and all that follows through “children approved” and inserting “eligibility for assistance, or the amount of such assistance, under a State program funded”;

(3) in section 6103(l)(7)(D)(i) (26 U.S.C. 6103(l)(7)(D)(i)), by striking “aid to families with dependent children provided under a State plan approved” and inserting “a State program funded”;

(4) in section 6103(l)(10) (26 U.S.C. 6103(l)(10))—

(A) by striking “(c) or (d)” each place it appears and inserting “(c), (d), or (e)”; and

(B) by adding at the end of subparagraph (B) the following new sentence: “Any return information disclosed with respect to section 6402(e) shall only be disclosed to officers and
employees of the State agency requesting such
information.";

(5) in section 6103(p)(4) (26 U.S.C. 6103(p)(4)), in the matter preceding subparagraph (A)—

(A) by striking "(5), (10)" and inserting "(5)"; and

(B) by striking "(9), or (12)" and inserting "(9), (10), or (12)";

(6) in section 6334(a)(11)(A) (26 U.S.C. 6334(a)(11)(A)), by striking "(relating to aid to families with dependent children)";

(7) in section 6402 (26 U.S.C. 6402)—

(A) in subsection (a), by striking "(c) and (d)" and inserting "(c), (d), and (e)";

(B) by redesignating subsections (e) through (i) as subsections (f) through (j), re-
spectively; and

(C) by inserting after subsection (d) the following:

"(e) COLLECTION OF OVERPAYMENTS UNDER TITLE IV–A OF THE SOCIAL SECURITY ACT.—The amount of any overpayment to be refunded to the person making the overpayment shall be reduced (after reductions pursuant to subsections (c) and (d), but before a credit against fu-
ture liability for an internal revenue tax) in accordance with section 405(e) of the Social Security Act (concerning recovery of overpayments to individuals under State plans approved under part A of title IV of such Act).”; and

(8) in section 7523(b)(3)(C) (26 U.S.C. 7523(b)(3)(C)), by striking “aid to families with dependent children” and inserting “assistance under a State program funded under part A of title IV of the Social Security Act”.

(m) Section 3(b) of the Wagner-Peyser Act (29 U.S.C. 49b(b)) is amended by striking “State plan approved under part A of title IV” and inserting “State program funded under part A of title IV”.

(n) The Job Training Partnership Act (29 U.S.C. 1501 et seq.) is amended—


(2) in section 106(b)(6)(C) (29 U.S.C. 1516(b)(6)(C)), by striking “State aid to families with dependent children records,” and inserting “records collected under the State program funded under part A of title IV of the Social Security Act,”;

(3) in section 121(b)(2) (29 U.S.C. 1531(b)(2))—
(A) by striking "the JOBS program" and inserting "the work activities required under title IV of the Social Security Act"; and

(B) by striking the second sentence;

(4) in section 123(c) (29 U.S.C. 1533(c))—

(A) in paragraph (1)(E), by repealing clause (vi); and

(B) in paragraph (2)(D), by repealing clause (v);

(5) in section 203(b)(3) (29 U.S.C. 1603(b)(3)), by striking ", including recipients under the JOBS program";

(6) in subparagraphs (A) and (B) of section 204(a)(1) (29 U.S.C. 1604(a)(1) (A) and (B)), by striking "(such as the JOBS program)" each place it appears;

(7) in section 205(a) (29 U.S.C. 1605(a)), by striking paragraph (4) and inserting the following:

"(4) the portions of title IV of the Social Security Act relating to work activities;";

(8) in section 253 (29 U.S.C. 1632)—

(A) in subsection (b)(2), by repealing sub-paragraph (C); and
(B) in paragraphs (1)(B) and (2)(B) of subsection (c), by striking “the JOBS program or” each place it appears;

(9) in section 264 (29 U.S.C. 1644)—

(A) in subparagraphs (A) and (B) of subsection (b)(1), by striking “(such as the JOBS program)” each place it appears; and

(B) in subparagraphs (A) and (B) of subsection (d)(3), by striking “and the JOBS program” each place it appears;

(10) in section 265(b) (29 U.S.C. 1645(b)), by striking paragraph (6) and inserting the following:

“(6) the portion of title IV of the Social Security Act relating to work activities;”; 

(11) in the second sentence of section 429(e) (29 U.S.C. 1699(e)), by striking “and shall be in an amount that does not exceed the maximum amount that may be provided by the State pursuant to section 402(g)(1)(C) of the Social Security Act (42 U.S.C. 602(g)(1)(C))”; 

(12) in section 454(c) (29 U.S.C. 1734(c)), by striking “JOBS and”;

(13) in section 455(b) (29 U.S.C. 1735(b)), by striking “the JOBS program,”;
(14) in section 501(1) (29 U.S.C. 1791(1)), by striking "aid to families with dependent children under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)" and inserting "assistance under the State program funded under part A of title IV of the Social Security Act";

(15) in section 506(1)(A) (29 U.S.C. 1791e(1)(A)), by striking "aid to families with dependent children" and inserting "assistance under the State program funded";

(16) in section 508(a)(2)(A) (29 U.S.C. 1791g(a)(2)(A)), by striking "aid to families with dependent children" and inserting "assistance under the State program funded"; and

(17) in section 701(b)(2)(A) (29 U.S.C. 1792(b)(2)(A))—

(A) in clause (v), by striking the semicolon and inserting "; and"; and

(B) by striking clause (vi).

(o) Section 3803(c)(2)(C)(iv) of title 31, United States Code, is amended to read as follows:

"(iv) assistance under a State program funded under part A of title IV of the Social Security Act;".
(p) Section 2605(b)(2)(A)(i) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624(b)(2)(A)(i)) is amended to read as follows:

"(i) assistance under the State program funded under part A of title IV of the Social Security Act;".

(q) Section 303(f)(2) of the Family Support Act of 1988 (42 U.S.C. 602 note) is amended—

(1) by striking "(A)"; and

(2) by striking subparagraphs (B) and (C).

(r) The Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 900 et seq.) is amended—

(1) in the first section 255(h) (2 U.S.C. 905(h)), by striking "Aid to families with dependent children (75–0412–0–1–609);" and inserting "Block grants to States for temporary assistance for needy families;"; and

(2) in section 256 (2 U.S.C. 906)—

(A) by striking subsection (k); and

(B) by redesignating subsection (l) as subsection (k).

(s) The Immigration and Nationality Act (8 U.S.C. 1101 et seq.) is amended—

(1) in section 210(f) (8 U.S.C. 1160(f)), by striking "aid under a State plan approved under"
each place it appears and inserting “assistance under a State program funded under”;

(2) in section 245A(h) (8 U.S.C. 1255a(h))—

(A) in paragraph (1)(A)(i), by striking “program of aid to families with dependent children” and inserting “State program of assistance”; and

(B) in paragraph (2)(B), by striking “aid to families with dependent children” and inserting “assistance under a State program funded under part A of title IV of the Social Security Act”; and

(3) in section 412(e)(4) (8 U.S.C. 1522(e)(4)), by striking “State plan approved” and inserting “State program funded”.

(t) Section 640(a)(4)(B)(i) of the Head Start Act (42 U.S.C. 9835(a)(4)(B)(i)) is amended by striking “program of aid to families with dependent children under a State plan approved” and inserting “State program of assistance funded”.

(u) Section 9 of the Act of April 19, 1950 (64 Stat. 47, chapter 92; 25 U.S.C. 639) is repealed.

(v) Subparagraph (E) of section 213(d)(6) of the School-To-Work Opportunities Act of 1994 (20 U.S.C. 6143(d)(6)) is amended to read as follows:
“(E) part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) relating to work activities;”.

(w) Section 552a(a)(8)(B)(iv)(III) of title 5, United States Code, is amended by striking “section 464 or 1137 of the Social Security Act” and inserting “section 404(e), 464, or 1137 of the Social Security Act”.

SEC. 2112. DEVELOPMENT OF PROTOTYPE OF COUNTERFEIT-RESISTANT SOCIAL SECURITY CARD REQUIRED.

(a) DEVELOPMENT.—

(1) IN GENERAL.—The Commissioner of Social Security (in this section referred to as the “Commissioner”) shall, in accordance with this section, develop a prototype of a counterfeit-resistant social security card. Such prototype card shall—

(A) be made of a durable, tamper-resistant material such as plastic or polyester,

(B) employ technologies that provide security features, such as magnetic stripes, holograms, and integrated circuits, and

(C) be developed so as to provide individuals with reliable proof of citizenship or legal resident alien status.
(2) Assistance by Attorney General.—The Attorney General of the United States shall provide such information and assistance as the Commissioner deems necessary to enable the Commissioner to comply with this section.

(b) Study and Report.—

(1) In General.—The Commissioner shall conduct a study and issue a report to the Congress which examines different methods of improving the social security card application process.

(2) Elements of Study.—The study shall include an evaluation of the cost and work load implications of issuing a counterfeit-resistant social security card for all individuals over a 3-, 5-, and 10-year period. The study shall also evaluate the feasibility and cost implications of imposing a user fee for replacement cards and cards issued to individuals who apply for such a card prior to the scheduled 3-, 5-, and 10-year phase-in options.

(3) Distribution of Report.—The Commissioner shall submit copies of the report described in this subsection along with a facsimile of the prototype card as described in subsection (a) to the Committees on Ways and Means and Judiciary of the House of Representatives and the Committees on Fi-
nance and Judiciary of the Senate within 1 year after the date of the enactment of this Act.

SEC. 2113. DISCLOSURE OF RECEIPT OF FEDERAL FUNDS.

(a) IN GENERAL.—Whenever an organization that accepts Federal funds under this subtitle or the amendments made by this subtitle makes any communication that in any way intends to promote public support or opposition to any policy of a Federal, State, or local government through any broadcasting station, newspaper, magazine, outdoor advertising facility, direct mailing, or any other type of general public advertising, such communication shall state the following: “This was prepared and paid for by an organization that accepts taxpayer dollars.”.

(b) FAILURE TO COMPLY.—If an organization makes any communication described in subsection (a) and fails to provide the statement required by that subsection, such organization shall be ineligible to receive Federal funds under this subtitle or the amendments made by this subtitle.

(c) DEFINITION.—For purposes of this section, the term “organization” means an organization described in section 501(c) of the Internal Revenue Code of 1986.

(d) EFFECTIVE DATES.—This section shall take effect—
(1) with respect to printed communications 1 year after the date of enactment of this Act; and

(2) with respect to any other communication on the date of enactment of this Act.

SEC. 2114. MODIFICATIONS TO THE JOB OPPORTUNITIES FOR CERTAIN LOW-INCOME INDIVIDUALS PROGRAM.

Section 505 of the Family Support Act of 1988 (42 U.S.C. 1315 note) is amended—

(1) in the heading, by striking “DEMONSTRATION”;

(2) by striking “demonstration” each place such term appears;

(3) in subsection (a), by striking “in each of fiscal years” and all that follows through “10” and inserting “shall enter into agreements with”;

(4) in subsection (b)(3), by striking “aid to families with dependent children under part A of title IV of the Social Security Act” and inserting “assistance under the program funded part A of title IV of the Social Security Act of the State in which the individual resides”;

(5) in subsection (c)—

(A) in paragraph (1)(C), by striking “aid to families with dependent children under title
IV of the Social Security Act" and inserting 
“assistance under a State program funded part 
A of title IV of the Social Security Act”; and 
(B) in paragraph (2), by striking “aid to 
families with dependent children under title IV 
of such Act” and inserting “assistance under a 
State program funded part A of title IV of the 
Social Security Act”; 
(6) in subsection (d), by striking “job opportu-
nities and basic skills training program (as provided 
for under title IV of the Social Security Act)” and 
inserting “the State program funded under part A 
of title IV of the Social Security Act”; and 
(7) by striking subsections (e) through (g) and 
inserting the following: 
“(e) AUTHORIZATION OF APPROPRIATIONS.—For the 
purpose of conducting projects under this section, there 
is authorized to be appropriated an amount not to exceed 
$25,000,000 for any fiscal year.”.

SEC. 2115. SECRETARIAL SUBMISSION OF LEGISLATIVE 
PROPOSAL FOR TECHNICAL AND CONFORM-
ING AMENDMENTS.

Not later than 90 days after the date of the enact-
ment of this Act, the Secretary of Health and Human 
Services and the Commissioner of Social Security, in con-
sultation, as appropriate, with the heads of other Federal agencies, shall submit to the appropriate committees of the Congress a legislative proposal proposing such technical and conforming amendments as are necessary to bring the law into conformity with the policy embodied in this chapter.

SEC. 2116. EFFECTIVE DATE; TRANSITION RULE.

(a) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this chapter, this chapter and the amendments made by this chapter shall take effect on July 1, 1997.

(2) DELAYED EFFECTIVE DATE FOR CERTAIN PROVISIONS.—Notwithstanding any other provision of this section, paragraphs (2), (3), (4), (5), (8), and (10) of section 409(a) and section 411(a) of the Social Security Act (as added by the amendments made by section 2103(a) of this Act) shall not take effect with respect to a State until, and shall apply only with respect to conduct that occurs on or after, the later of—

(A) July 1, 1997; or

(B) the date that is 6 months after the date the Secretary of Health and Human Serv-
section 402(a) of the Social Security Act (as added by such amendment).

(3) ELIMINATION OF CHILD CARE PROGRAMS.—The amendments made by section 2103(d) shall take effect on October 1, 1996.

(4) DEFINITIONS APPLICABLE TO NEW CHILD CARE ENTITLEMENT.—Sections 403(a)(1)(C), 403(a)(1)(D), and 419(4) of the Social Security Act, as added by the amendments made by section 2103(a) of this Act, shall take effect on October 1, 1996.

(b) TRANSITION RULES.—Effective on the date of the enactment of this Act:

(1) STATE OPTION TO ACCELERATE EFFECTIVE DATE.—

(A) IN GENERAL.—If the Secretary of Health and Human Services receives from a State a plan described in section 402(a) of the Social Security Act (as added by the amendment made by section 2103(a)(1) of this Act), then—

(i) on and after the date of such receipt—

(1) except as provided in clause (ii), this chapter and the amendments
made by this chapter (other than by
section 2103(d) of this Act) shall
apply with respect to the State; and

(II) the State shall be considered
an eligible State for purposes of part
A of title IV of the Social Security
Act (as in effect pursuant to the
amendments made by such section
2103(a)); and

(ii) during the period that begins on
the date of such receipt and ends on June
30, 1997, there shall remain in effect with
respect to the State—

(I) section 403(h) of the Social
Security Act (as in effect on Septem-
ber 30, 1995); and

(II) all State reporting require-
ments under parts A and F of title IV
of the Social Security Act (as in effect
on September 30, 1995), modified by
the Secretary as appropriate, taking
into account the State program under
part A of title IV of the Social Secu-
rrity Act (as in effect pursuant to the
amendments made by such section 2103(a)).

(B) LIMITATIONS ON FEDERAL OBLIGATIONS.—

(i) UNDER AFDC PROGRAM.—The total obligations of the Federal Government to a State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures in fiscal year 1997 shall not exceed an amount equal to the State family assistance grant.

(ii) UNDER TEMPORARY FAMILY ASSISTANCE PROGRAM.—Notwithstanding section 403(a)(1) of the Social Security Act (as in effect pursuant to the amendments made by section 2103(a) of this Act), the total obligations of the Federal Government to a State under such section 403(a)(1)—

(I) for fiscal year 1996, shall be an amount equal to—

(aa) the State family assist-
(bb) \( \frac{1}{366} \) of the number of days during the period that begins on the date the Secretary of Health and Human Services first receives from the State a plan described in section 402(a) of the Social Security Act (as added by the amendment made by section 2103(a)(1) of this Act) and ends on September 30, 1996; and (II) for fiscal year 1997, shall be an amount equal to the lesser of—

(aa) the amount (if any) by which the State family assistance grant exceeds the total obligations of the Federal Government to the State under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to expenditures in fiscal year 1997; or

(bb) the State family assistance grant, multiplied by \( \frac{1}{365} \) of the number of days during the period that begins on October 1,
1996, or the date the Secretary
of Health and Human Services
first receives from the State a
plan described in section 402(a)
of the Social Security Act (as
added by the amendment made
by section 2103(a)(1) of this
Act), whichever is later, and ends
on September 30, 1997.

(iii) Child care obligations ex-
cluded in determining federal AFDC
obligations.—As used in this subpara-
graph, the term "obligations of the Federal
Government to the State under part A of
title IV of the Social Security Act" does
not include any obligation of the Federal
Government with respect to child care ex-
penditures by the State.

(C) Submission of state plan for fis-
cal year 1996 or 1997 deemed acceptance
of grant limitations and formula and
termination of AFDC entitlement.—The
submission of a plan by a State pursuant to
paragraph (A) is deemed to constitute—
(i) the State's acceptance of the grant reductions under subparagraph (B) (including the formula for computing the amount of the reduction); and

(ii) the termination of any entitlement of any individual or family to benefits or services under the State AFDC program.

(D) DEFINITIONS.—As used in this paragraph:

(i) **STATE AFDC PROGRAM.**—The term “State AFDC program” means the State program under parts A and F of title IV of the Social Security Act (as in effect on September 30, 1995).

(ii) **STATE.**—The term “State” means the 50 States and the District of Columbia.

(iii) **STATE FAMILY ASSISTANCE GRANT.**—The term “State family assistance grant” means the State family assistance grant (as defined in section 403(a)(1)(B) of the Social Security Act, as added by the amendment made by section 2103(a)(1) of this Act).
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(2) **CLAIMS, ACTIONS, AND PROCEEDINGS.**—

The amendments made by this chapter shall not apply with respect to—

(A) powers, duties, functions, rights, claims, penalties, or obligations applicable to aid, assistance, or services provided before the effective date of this chapter under the provisions amended; and

(B) administrative actions and proceedings commenced before such date, or authorized before such date to be commenced, under such provisions.

(3) **CLOSING OUT ACCOUNT FOR THOSE PROGRAMS TERMINATED OR SUBSTANTIALLY MODIFIED BY THIS CHAPTER.**—In closing out accounts, Federal and State officials may use scientifically acceptable statistical sampling techniques. Claims made with respect to State expenditures under a State plan approved under part A of title IV of the Social Security Act (as in effect on September 30, 1995) with respect to assistance or services provided on or before September 30, 1995, shall be treated as claims with respect to expenditures during fiscal year 1995 for purposes of reimbursement even if payment was made by a State on or after October
1, 1995. Each State shall complete the filing of all claims under the State plan (as so in effect) within 2 years after the date of the enactment of this Act.

The head of each Federal department shall—

(A) use the single audit procedure to review and resolve any claims in connection with the close out of programs under such State plans; and

(B) reimburse States for any payments made for assistance or services provided during a prior fiscal year from funds for fiscal year 1995, rather than from funds authorized by this chapter.

(4) CONTINUANCE IN OFFICE OF ASSISTANT SECRETARY FOR FAMILY SUPPORT.—The individual who, on the day before the effective date of this chapter, is serving as Assistant Secretary for Family Support within the Department of Health and Human Services shall, until a successor is appointed to such position—

(A) continue to serve in such position; and

(B) except as otherwise provided by law—

(i) continue to perform the functions of the Assistant Secretary for Family Support under section 417 of the Social Seeu-
rity Act (as in effect before such effective date); and

(ii) have the powers and duties of the Assistant Secretary for Family Support under section 416 of the Social Security Act (as in effect pursuant to the amendment made by section 2103(a)(1) of this Act).

(c) TERMINATION OF ENTITLEMENT UNDER AFDC PROGRAM.—Effective October 1, 1996, no individual or family shall be entitled to any benefits or services under any State plan approved under part A or F of title IV of the Social Security Act (as in effect on September 30, 1995).

CHAPTER 2—SUPPLEMENTAL SECURITY INCOME

SEC. 2200. REFERENCE TO SOCIAL SECURITY ACT.

Except as otherwise specifically provided, wherever in this chapter 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.
Subchapter A—Eligibility Restrictions

SEC. 2201. 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.

(a) IN GENERAL.—Section 1611(e) (42 U.S.C. 1382(e)), as amended by section 105(b)(4) of the Contract with America Advancement Act of 1996, is amended by redesignating paragraph (5) as paragraph (3) and by adding at the end the following new paragraph:

"(4)(A) No person shall be considered an eligible individual or eligible spouse for purposes of this title during the 10-year period that begins on the date the person is convicted in Federal or State court of having made a fraudulent statement or representation with respect to the place of residence of the person in order to receive assistance simultaneously from 2 or more States under programs that are funded under title IV, title XV, title XIX, or the Food Stamp Act of 1977, or benefits in 2 or more States under the supplemental security income program under this title.

"(B) As soon as practicable after the conviction of a person in a Federal or State court as described in sub-
paragraph (A), an official of such court shall notify the Commissioner of such conviction.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall take effect on the date of the enactment of this Act.

**SEC. 2202. 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 2201(a) of this Act, is amended by adding at the end the following new paragraph:

“(5) No person shall be considered 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.**—Section 1611(e) (42 U.S.C. 1382(e)), as amended by section 2201(a) of
this Act and subsection (a) of this section, is amended by
adding at the end the following new paragraph:

"(6) Notwithstanding any other provision of law
(other than section 6103 of the Internal Revenue Code
of 1986), the Commissioner shall furnish any Federal,
State, or local law enforcement officer, upon the written
request of the officer, with the current address, Social Se-
curity number, and photograph (if applicable) of any re-
cipient of benefits under this title, if the officer furnishes
the Commissioner with the name of the recipient, and
other identifying information as reasonably required by
the Commissioner to establish the unique identity of the
recipient, and notifies the Commissioner that—

"(A) the recipient—

"(i) is described in subparagraph (A) or
(B) of paragraph (5); or

"(ii) has information that is necessary for
the officer to conduct the officer's official du-
ties; and

"(B) the location or apprehension of the recipi-
ent is within the officer's official duties.".

(c) EFFECTIVE DATE.—The amendments made by
this section shall take effect on the date of the enactment
of this Act.

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SEC. 2203. TREATMENT OF PRISONERS.

(a) IMPLEMENTATION OF PROHIBITION AGAINST PAYMENT OF BENEFITS TO PRISONERS.—Section 1611(e)(1) (42 U.S.C. 1382(e)(1)) is amended by adding at the end the following new subparagraph:

"(I)(i) The Commissioner shall enter into a contract, with any interested State or local institution referred to in subparagraph (A), under which—

"(I) the institution shall provide to the Commissioner, on a monthly basis, the names, social security account numbers, dates of birth, and such other identifying information concerning the inmates of the institution as the Commissioner may require for the purpose of carrying out paragraph (1); and

"(II) the Commissioner shall pay to any such institution, with respect to each inmate of the institution who is eligible for a benefit under this title for the month preceding the first month throughout which such inmate is in such institution and becomes ineligible for such benefit (or becomes eligible only for a benefit payable at a reduced rate) as a result of the application of this paragraph, an amount not to exceed $400 if the institution furnishes the information described in subclause (I) to the Commissioner within 30 days after such individual becomes an inmate of such institution, or an amount..."
not to exceed $200 if the institution furnishes such
information after 30 days after such date but within
90 days after such date.

“(ii) The provisions of section 552a of title 5, United
States Code, shall not apply to any agreement entered into
under clause (i) or to information exchanged pursuant to
such agreement.

“(iii) Payments to institutions required by clause
(i)(II) shall be made from funds otherwise available for
the payment of benefits under this title and shall be treat-
ed as direct spending for purposes of the Balanced Budget
and Emergency Deficit Control Act of 1985.”.

(b) DENIAL OF SSI BENEFITS FOR 10 YEARS TO A
PERSON FOUND TO HAVE FRAUDULENTLY OBTAINED
SSI BENEFITS WHILE IN PRISON.—

(1) IN GENERAL.—Section 1611(e)(1) (42
U.S.C. 1382(e)(1)), as amended by subsection (a) of
this section, is amended by adding at the end the
following new subparagraph:

“(J) In any case in which the Commissioner of Social
Security finds that a person has made a fraudulent state-
ment or representation in order to obtain or to continue
to receive benefits under this title while being an inmate
in a penal institution, such person shall not be considered
an eligible individual or eligible spouse for any month end-
ing during the 10-year period beginning on the date on which such person ceases being such an inmate.”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply with respect to statements or representations made on or after the date of the enactment of this Act.

(c) STUDY OF OTHER POTENTIAL IMPROVEMENTS IN THE COLLECTION OF INFORMATION RESPECTING PUBLIC INMATES.—

(1) STUDY.—The Commissioner of Social Security shall conduct a study of the desirability, feasibility, and cost of—

(A) establishing a system under which Federal, State, and local courts would furnish to the Commissioner such information respecting court orders by which individuals are confined in jails, prisons, or other public penal, correctional, or medical facilities as the Commissioner may require for the purpose of carrying out section 1611(e)(1) of the Social Security Act; and

(B) requiring that State and local jails, prisons, and other institutions that enter into contracts with the Commissioner under section 1611(e)(1)(I) of the Social Security Act furnish
the information required by such contracts to
the Commissioner by means of an electronic or
other sophisticated data exchange system.

(2) REPORT.—Not later than 1 year after the
date of the enactment of this Act, the Commissioner
of Social Security shall submit a report on the re-
results of the study conducted pursuant to this sub-
section to the Committee on Finance of the Senate
and the Committee on Ways and Means of the
House of Representatives.

SEC. 2204. EFFECTIVE DATE OF APPLICATION FOR BENE-
FITS.

(a) IN GENERAL.—Subparagraphs (A) and (B) of
section 1611(c)(7) (42 U.S.C. 1382(c)(7)) are amended
to read as follows:

"(A) the first day of the month following the
date such application is filed, or

"(B) the first day of the month following the
date such individual becomes eligible for such bene-
fits with respect to such application."

(b) SPECIAL RULE RELATING TO EMERGENCY AD-
VANCE PAYMENTS.—Section 1631(a)(4)(A) (42 U.S.C.
1383(a)(4)(A)) is amended—
(1) by inserting “for the month following the date the application is filed” after “is presumptively eligible for such benefits”; and

(2) by inserting “, which shall be repaid through proportionate reductions in such benefits over a period of not more than 6 months” before the semicolon.

(c) CONFORMING AMENDMENTS.—

(1) Section 1614(b) (42 U.S.C. 1382c(b)) is amended by striking “at the time the application or request is filed” and inserting “on the first day of the month following the date the application or request is filed”.

(2) Section 1631(g)(3) (42 U.S.C. 1382j(g)(3)) is amended by inserting “following the month” after “beginning with the month”.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to applications for benefits under title XVI of the Social Security Act filed on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

(2) BENEFITS UNDER TITLE XVI.—For purposes of this subsection, the term “benefits under
title XVI of the Social Security Act" includes supplemen-
tary payments pursuant to an agreement for
Federal administration under section 1616(a) of the
Social Security Act, and payments pursuant to an
agreement entered into under section 212(b) of Public
Law 93–66.

Subchapter B—Benefits for Disabled
Children

SEC. 2211. DEFINITION AND ELIGIBILITY RULES.

(a) DEFINITION OF CHILDHOOD DISABILITY.—Sec-
tion 1614(a)(3) (42 U.S.C. 1382c(a)(3)), as amended by
section 105(b)(1) of the Contract with America Advance-
ment Act of 1996, is amended—

(1) in subparagraph (A), by striking "An indi-
vidual" and inserting "Except as provided in sub-
paragraph (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 fol-
lowing 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. Notwithstanding the preceding sentence, no individual under the age of 18 who engages in substantial gainful activity (determined in accordance with regulations prescribed pursuant to subparagraph (E)) may be considered to be disabled.”; and

(5) in subparagraph (F), as redesignated by paragraph (3), by striking “(D)” and inserting “(E)”.

(b) REQUEST FOR COMMENTS TO IMPROVE DISABILITY EVALUATION.—Not later than 60 days after the date of the enactment of this Act, and annually thereafter, the Commissioner of Social Security shall issue a request for comments in the Federal Register regarding improvements to the disability evaluation and determination procedures for individuals under age 18 to ensure the comprehensive assessment of such individuals, including—

(1) additions to conditions which should be presumptively disabling at birth or ages 0 through 3 years;
(2) specific changes in 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;

(3) 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

(4) any other changes to the disability determination procedures.

(c) 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.

(2) DISCONTINUANCE OF INDIVIDUALIZED FUNCTIONAL ASSESSMENT.—The Commissioner of Social Security shall discontinue the individualized functional assessment for children set forth in sec-
(d) MEDICAL IMPROVEMENT REVIEW STANDARD AS IT APPLIES TO INDIVIDUALS UNDER THE AGE OF 18.—

Section 1614(a)(4) (42 U.S.C. 1382(a)(4)) is amended—

(1) by redesignating subclauses (I) and (II) of clauses (i) and (ii) of subparagraph (B) as items (aa) and (bb), respectively;

(2) by redesignating clauses (i) and (ii) of subparagraphs (A) and (B) as subclauses (I) and (II), respectively;

(3) by redesignating subparagraphs (A) through (C) as clauses (i) through (iii), respectively;

(4) by inserting before clause (i) (as redesignated by paragraph (3)) the following new subparagraph:

“(A) in the case of an individual who is age 18 or older—”;

(5) by inserting after and below subparagraph (A)(iii) (as so redesignated) the following new subparagraph:

“(B) in the case of an individual who is under the age of 18—

“(i) substantial evidence which demonstrates that there has been medical improve-
ment in the individual's impairment or combination of impairments, and that such impairment or combination of impairments no longer results in marked and severe functional limitations; or

"(ii) substantial evidence which demonstrates that, as determined on the basis of new or improved diagnostic techniques or evaluations, the individual's impairment or combination of impairments, is not as disabling as it was considered to be at the time of the most recent prior decision that the individual was under a disability or continued to be under a disability, and such impairment or combination of impairments does not result in marked and severe functional limitations; or";

(6) by redesignating subparagraph (D) as subparagraph (C) and by inserting in such subparagraph "in the case of any individual," before "substantial evidence"; and

(7) in the first sentence following subparagraph (C) (as redesignated by paragraph (6)), by—

(A) inserting "(i)" before "to restore"; and

(B) inserting ", or (ii) in the case of an individual under the age of 18, to eliminate or
improve the individual's impairment or combination of impairments so that it no longer results in marked and severe functional limitations" immediately before the period.

(e) **Effective Dates, Etc.—**

(1) **Effective dates.—**

(A) Subsections (a) and (c).—

(i) In general.—The provisions of, and amendments made by, subsections (a) and (c) shall apply to any individual who applies for, or whose claim is finally adjudicated with respect to, benefits under title XVI of the Social Security Act on or after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such provisions and amendments.

(ii) Determination of final adjudication.—For purposes of clause (i), no individual's claim with respect to such benefits may be considered to be finally adjudicated before such date of enactment if, on or after such date, there is pending a request for either administrative or judicial review with respect to such claim that has
been denied in whole, or there is pending, with respect to such claim, readjudication by the Commissioner of Social Security pursuant to relief in a class action or implementation by the Commissioner of a court remand order.

(B) SUBSECTION (d).—The amendments made by subsection (d) shall apply with respect to benefits under title XVI of the Social Security Act 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) ELIGIBILITY REDETERMINATIONS.— During the period beginning on the date of the enactment of this Act and ending on the date which is 1 year after such date of enactment, the Commissioner of Social Security shall re-determine the eligibility of any individual under age 18 who is receiving supplemental security income benefits by reason of disability under title XVI of the Social Security Act as of the date of the enactment of this Act and whose eligibility for such benefits may terminate by rea-
son of the provisions of, or amendments made by, subsections (a) and (c) of this section. With respect to any redetermination under this sub-
paragraph—

(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 provisions of, and amendments made by, subsections (a) and (c) of this section, and the re-

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determination under subparagraph (A), shall only apply with respect to the benefits of an individual described in subparagraph (A) for months beginning on or after the later of July 1, 1997, or the date of the redetermination with respect to such individual.

(C) NOTICE.—Not later than January 1, 1997, the Commissioner of Social Security shall notify an individual described in subparagraph (A) of the provisions of this paragraph.

(3) REPORT.—The Commissioner of Social Security shall report to the Congress regarding the progress made in implementing the provisions of, and amendments made by, this section on child disability evaluations not later than 180 days after the date of the enactment of this Act.

(4) REGULATIONS.—Notwithstanding any other provision of law, the Commissioner of Social Security shall submit for review to the committees of jurisdiction in the Congress any final regulation pertaining to the eligibility of individuals under age 18 for benefits under title XVI of the Social Security Act at least 45 days before the effective date of such regulation. The submission under this paragraph shall include supporting documentation providing a
cost analysis, workload impact, and projections as to how the regulation will effect the future number of recipients under such title.

(5) APPROPRIATIONS.—

(A) IN GENERAL.—Out of any money in the Treasury not otherwise appropriated, there are authorized to be appropriated and are hereby appropriated, to remain available without fiscal year limitation, $200,000,000 for fiscal year 1997, $75,000,000 for fiscal year 1998, and $25,000,000 for fiscal year 1999, for the Commissioner of Social Security to utilize only for continuing disability reviews and redeterminations under title XVI of the Social Security Act, with reviews and redeterminations for individuals affected by the provisions of subsection (b) given highest priority.

(B) ADDITIONAL FUNDS.—Amounts appropriated under subparagraph (A) shall be in addition to any funds otherwise appropriated for continuing disability reviews and redeterminations under title XVI of the Social Security Act.

(6) BENEFITS UNDER TITLE XVI.—For purposes of this subsection, the term “benefits under title XVI of the Social Security Act” includes sup-
plementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act, and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.

SEC. 2212. 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 2211(a)(3) of this Act, 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 is likely to improve (or, at the option of the Commissioner, which is unlikely to improve).

“(II) A representative payee 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.

"(III) If the representative payee refuses to comply without good cause with the requirements of subclause (II), the Commissioner of Social Security shall, if the Commissioner determines it is in the best interest of the individual, promptly suspend payment of benefits to the representative payee, and provide for payment of benefits to an alternative representative payee of the individual or, if the interest of the individual under this title would be served thereby, to the individual.

"(IV) Subclause (II) shall not apply to the representative payee of any individual with respect to whom the Commissioner determines such application would be inappropriate or unnecessary. In making such determination, the Commissioner shall take into consideration the nature of the individual’s impairment (or combination of impairments). Section 1631(c) shall not apply to a finding by the Commissioner that the requirements of subclause (II) should not apply to an individual’s representative payee.”.

(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) of this section, 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 are age 18 or older.

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.”.


(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) of this section, 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 representative payee 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.

"(IV) If the representative payee refuses to comply without good cause with the requirements of subclause (III), the Commissioner of Social Security shall, if the Commissioner determines it is in the best interest of the individual, promptly suspend payment of benefits to the representative payee, and provide for payment of benefits
to an alternative representative payee of the individual or,
if the interest of the individual under this title would be
served thereby, to the individual.

"(V) Subclause (III) shall not apply to the representa-
tive payee of any individual with respect to whom the
Commissioner determines such application would be inap-
propriate or unnecessary. In making such determination,
the Commissioner shall take into consideration the nature
of the individual's impairment (or combination of impair-
ments). Section 1631(c) shall not apply to a finding by
the Commissioner that the requirements of subclause (III)
should not apply to an individual's representative payee."

(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 imple-
ment such amendments.

SEC. 2213. ADDITIONAL ACCOUNTABILITY REQUIREMENTS.

(a) REQUIREMENT TO ESTABLISH ACCOUNT.—Sec-
tion 1631(a)(2) (42 U.S.C. 1383(a)(2)) is amended—
(1) by redesignating subparagraphs (F) and
(G) as subparagraphs (G) and (H), respectively; and
(2) by inserting after subparagraph (E) the fol-
lowing new subparagraph:
“(F)(i)(I) Each representative payee of an eligible individual under the age of 18 who is eligible for the payment of benefits described in subclause (II) shall establish on behalf of such individual an account in a financial institution into which such benefits shall be paid, and shall thereafter maintain such account for use in accordance with clause (ii).

“(II) Benefits described in this subclause are past-due monthly benefits under this title (which, for purposes of this subclause, include State supplementary payments made by the Commissioner pursuant to an agreement under section 1616 or section 212(b) of Public Law 93–66) in an amount (after any withholding by the Commissioner for reimbursement to a State for interim assistance under subsection (g)) that exceeds the product of—

“(aa) 6, and

“(bb) the maximum monthly benefit payable under this title to an eligible individual.

“(ii)(I) A representative payee may use funds in the account established under clause (i) to pay for allowable expenses described in subclause (II).

“(II) An allowable expense described in this subclause is an expense for—

“(aa) education or job skills training;

“(bb) personal needs assistance;
“(ee) medical treatment;
“(ff) therapy or rehabilitation; or
“(gg) any other item or service that the Commissioner determines to be appropriate;

provided that such expense benefits such individual and,
in the case of an expense described in item (cc), (dd), (ff),
or (gg), is related to the impairment (or combination of impairments) of such individual.

“(III) The use of funds from an account established under clause (i) in any manner not authorized by this clause—

“(aa) by a representative payee shall be considered a misapplication of benefits for all purposes of this paragraph, and any representative payee who knowingly misapplies benefits from such an account shall be liable to the Commissioner in an amount equal to the total amount of such benefits; and

“(bb) by an eligible individual who is his or her own payee shall be considered a misapplication of benefits for all purposes of this paragraph and the total amount of such benefits so used shall be considered to be the uncompensated value of a disposed
resource and shall be subject to the provisions of section 1613(c).

"(IV) This clause shall continue to apply to funds in the account after the child has reached age 18, regardless of whether benefits are paid directly to the beneficiary or through a representative payee.

"(iii) The representative payee may deposit into the account established pursuant to clause (i)—

"(I) past-due benefits payable to the eligible individual in an amount less than that specified in clause (i)(II), and

"(II) any other funds representing an underpayment under this title to such individual, provided that the amount of such underpayment is equal to or exceeds the maximum monthly benefit payable under this title to an eligible individual.

"(iv) The Commissioner of Social Security shall establish a system for accountability monitoring whereby such representative payee shall report, at such time and in such manner as the Commissioner shall require, on activity respecting funds in the account established pursuant to clause (i).".

(b) CONFORMING AMENDMENTS.—

(1) EXCLUSION FROM RESOURCES.—Section 1613(a) (42 U.S.C. 1382b(a)) is amended—
(A) by striking “and” at the end of paragraph (10);

(B) by striking the period at the end of paragraph (11) and inserting “; and”; and

(C) by inserting after paragraph (11) the following new paragraph:

“(12) any account, including accrued interest or other earnings thereon, established and maintained in accordance with section 1631(a)(2)(F).”.

(2) EXCLUSION FROM INCOME.—Section 1612(b) (42 U.S.C. 1382a(b)) is amended—

(A) by striking “and” at the end of paragraph (19);

(B) by striking the period at the end of paragraph (20) and inserting “; and”; and

(C) by adding at the end the following new paragraph:

“(21) the interest or other earnings on any account established and maintained in accordance with section 1631(a)(2)(F).”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to payments made after the date of the enactment of this Act.
SEC. 2214. REDUCTION IN CASH BENEFITS PAYABLE TO INSTITUTIONALIZED INDIVIDUALS WHOSE MEDICAL COSTS ARE COVERED BY PRIVATE INSURANCE.

(a) IN GENERAL.—Section 1611(e)(1)(B) (42 U.S.C. 1382(e)(1)(B)) is amended—

(1) by striking "title XIX, or" and inserting "title XV or XIX,"; and

(2) by inserting "or, in the case of an eligible individual under the age of 18, receiving payments (with respect to such individual) under any health insurance policy issued by a private provider of such insurance" after "section 1614(f)(2)(B),".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to benefits for months beginning 90 or more days after the date of the enactment of this Act, without regard to whether regulations have been issued to implement such amendments.

SEC. 2215. REGULATIONS.

Within 3 months after the date of the enactment of this Act, the Commissioner of Social Security shall prescribe such regulations as may be necessary to implement the amendments made by this subchapter.
Subchapter C—Additional Enforcement

Provision

SEC. 2221. INSTALLMENT PAYMENT OF LARGE PAST-DUE SUPPLEMENTAL SECURITY INCOME BENEFITS.

(a) In General.—Section 1631(a) (42 U.S.C. 1383) is amended by adding at the end the following new paragraph:

"(10)(A) If an individual is eligible for past-due monthly benefits under this title in an amount that (after any withholding for reimbursement to a State for interim assistance under subsection (g)) equals or exceeds the product of—

"(i) 12, and

"(ii) the maximum monthly benefit payable under this title to an eligible individual (or, if appropriate, to an eligible individual and eligible spouse),

then the payment of such past-due benefits (after any such reimbursement to a State) shall be made in installments as provided in subparagraph (B).

"(B)(i) The payment of past-due benefits subject to this subparagraph shall be made in not to exceed 3 installments that are made at 6-month intervals.

"(ii) Except as provided in clause (iii), the amount of each of the first and second installments may not exceed
an amount equal to the product of clauses (i) and (ii) of subparagraph (A).

"(iii) In the case of an individual who has—

"(I) outstanding debt attributable to—

"(aa) food,

"(bb) clothing,

"(cc) shelter, or

"(dd) medically necessary services, supplies or equipment, or medicine; or

"(II) current expenses or expenses anticipated in the near term attributable to—

"(aa) medically necessary services, supplies or equipment, or medicine, or

"(bb) the purchase of a home, and such debt or expenses are not subject to reimbursement by a public assistance program, the Secretary under title XVIII, a State plan approved under title XV or XIX, or any private entity legally liable to provide payment pursuant to an insurance policy, pre-paid plan, or other arrangement, the limitation specified in clause (ii) may be exceeded by an amount equal to the total of such debt and expenses.

"(C) This paragraph shall not apply to any individual who, at the time of the Commissioner's determination that
such individual is eligible for the payment of past-due monthly benefits under this title—

"(i) is afflicted with a medically determinable impairment that is expected to result in death within 12 months; or

"(ii) is ineligible for benefits under this title and the Commissioner determines that such individual is likely to remain ineligible for the next 12 months.

"(D) For purposes of this paragraph, the term ‘benefits under this title’ includes supplementary payments pursuant to an agreement for Federal administration under section 1616(a), and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.”.

(b) CONFORMING AMENDMENT.—Section 1631(a)(1) (42 U.S.C. 1383(a)(1)) is amended by inserting “(subject to paragraph (10))” immediately before “in such installments”.

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section are effective with respect to past-due benefits payable under title XVI of the Social Security Act after the third month following the month in which this Act is enacted.
(2) **Benefits Payable under Title XVI.**—For purposes of this subsection, the term "benefits payable under title XVI of the Social Security Act" includes supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act, and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.

**Sec. 2222. Regulations.**

Within 3 months after the date of the enactment of this Act, the Commissioner of Social Security shall prescribe such regulations as may be necessary to implement the amendments made by this subchapter.

**Subchapter D—State Supplementation Programs**

**Sec. 2225. Repeal of Maintenance of Effort Requirements Applicable to Optional State Programs for Supplementation of SSI Benefits.**

Section 1618 (42 U.S.C. 1382g) is hereby repealed.
Subchapter E—Studies Regarding Supplemental Security Income Program

SEC. 2231. ANNUAL REPORT ON THE SUPPLEMENTAL SECURITY INCOME PROGRAM.

Title XVI (42 U.S.C. 1381 et seq.), as amended by section 2201(c) of this Act, is amended by adding at the end the following new section:

"ANNUAL REPORT ON PROGRAM

"Sec. 1637. (a) 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 for initial determinations, reconsideration determinations, administrative law judge hearings, appeals council reviews, and Federal court decisions;

"(3) historical and current data on characteristics of recipients and program costs, by recipient group (aged, blind, disabled adults, and disabled children);

"(4) historical and current data on prior enrollment by recipients in public benefit programs, in-
cluding State programs funded under part A of title IV of the Social Security Act and State general assistance programs;

"(5) projections of future number of recipients and program costs, through at least 25 years;

"(6) number of redeterminations and continuing disability reviews, and the outcomes of such redeterminations and reviews;

"(7) data on the utilization of work incentives;

"(8) detailed information on administrative and other program operation costs;

"(9) summaries of relevant research undertaken by the Social Security Administration, or by other researchers;

"(10) State supplementation program operations;

"(11) a historical summary of statutory changes to this title; and

"(12) such other information as the Commissioner deems useful.

"(b) Each member of the Social Security Advisory Board shall be permitted to provide an individual report, or a joint report if agreed, of views of the program under this title, to be included in the annual report required under this section.".
SEC. 2232. STUDY BY GENERAL ACCOUNTING OFFICE.

Not later than January 1, 1999, the Comptroller General of the United States shall study and report on—

(1) the impact of the amendments made by, and the provisions of, this chapter on the supplemental security income program under title XVI of the Social Security Act; and

(2) extra expenses incurred by families of children receiving benefits under such title that are not covered by other Federal, State, or local programs.

CHAPTER 3—CHILD SUPPORT

SEC. 2300. REFERENCE TO SOCIAL SECURITY ACT.

Except as otherwise specifically provided, wherever in this chapter 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.

Subchapter A—Eligibility for Services;

Distribution of Payments

SEC. 2301. 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 for foster care maintenance are provided under the State program funded under part E of this title, (III) medical assistance is provided under the State plan under title XV, or (IV) medical assistance is provided under the State plan approved under title XIX, unless, in accordance with paragraph (29), good cause or other exceptions exist;

“(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) in paragraph (6)—

(A) by striking “provide that” and inserting “provide that—”;

(B) by striking subparagraph (A) and inserting the following new subparagraph:

“(A) services under the plan shall be made available to residents of other States on the same terms as to residents of the State submitting the plan;”;

(C) in subparagraph (B), by inserting “on individuals not receiving assistance under any State program funded under part A” after “such services shall be imposed”;

(D) in each of subparagraphs (B), (C), (D), and (E)—

(i) by indenting the subparagraph in the same manner as, and aligning the left margin of the subparagraph with the left margin of, the matter inserted by subparagraph (B) of this paragraph; and

(ii) by striking the final comma and inserting a semicolon; and
(E) in subparagraph (E), by indenting each of clauses (i) and (ii) 2 additional ems.

(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 if 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 other individuals to whom services are furnished under the plan, except that an application or other request to continue services shall not be required of such a family and paragraph (6)(B) shall not apply to the family.”.

(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. 2302. 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.—Subject to subsection (e), an amount collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

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“(1) FAMILIES RECEIVING ASSISTANCE.—In the case of a family receiving assistance from the State, the State shall—

“(A) pay to the Federal Government the Federal share of the amount so collected; and

“(B) retain, or distribute to the family, the State share of the amount so collected.

“(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

“(A) CURRENT SUPPORT PAYMENTS.—To the extent that the amount so collected does not exceed the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected to the family.

“(B) PAYMENTS OF ARREARAGES.—To the extent that the amount so collected exceeds the amount required to be paid to the family for the month in which collected, the State shall distribute the amount so collected as follows:

“(i) DISTRIBUTION OF ARREARAGES THAT ACCRUED AFTER THE FAMILY CEASED TO RECEIVE ASSISTANCE.—
“(I) PRE-OCTOBER 1997.—Except as provided in subclause (II), the provisions of this section (other than subsection (b)(1)) as in effect and applied on the day before the date of the enactment of section 2302 of the Personal Responsibility and Work Opportunity Act of 1996 shall apply with respect to the distribution of support arrearages that—

“(aa) accrued after the family ceased to receive assistance, and

“(bb) are collected before October 1, 1997.

“(II) POST-SEPTEMBER 1997.—With respect to the amount so collected on or after October 1, 1997 (or before such date, at the option of the State)—

“(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent
necessary to satisfy any support arrearages with respect to the family that accrued after the family ceased to receive assistance from the State.

"(bb) Reimbursement of Governments for Assistance Provided to the Family.— After the application of division (aa) and clause (ii)(II)(aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)) of the amount so collected, but only to the extent necessary to reimburse amounts paid to the family as assistance by the State.

"(cc) Distribution of the Remainder to the Family.— To the extent that neither division (aa) nor division (bb) applies to the amount so collected, the
State shall distribute the amount to the family.

"(ii) DISTRIBUTION OF ARREARAGES THAT ACCRUED BEFORE THE FAMILY RECEIVED ASSISTANCE.—

"(I) PRE-OCTOBER 2000.—Except as provided in subclause (II), the provisions of this section (other than subsection (b)(1)) as in effect and applied on the day before the date of the enactment of section 2302 of the Personal Responsibility and Work Opportunity Act of 1996 shall apply with respect to the distribution of support arrearages that—

"(aa) accrued before the family received assistance, and

"(bb) are collected before October 1, 2000.

"(II) POST-SEPTEMBER 2000.—Unless, based on the report required by paragraph (4), the Congress determines otherwise, with respect to the amount so collected on or after Octo-
ber 1, 2000 (or before such date, at the option of the State)—

“(aa) IN GENERAL.—The State shall first distribute the amount so collected (other than any amount described in clause (iv)) to the family to the extent necessary to satisfy any support arrearages with respect to the family that accrued before the family received assistance from the State.

“(bb) REIMBURSEMENT OF GOVERNMENTS FOR ASSISTANCE PROVIDED TO THE FAMILY.—After the application of clause (i)(II)(aa) and division (aa) with respect to the amount so collected, the State shall retain the State share of the amount so collected, and pay to the Federal Government the Federal share (as defined in subsection (c)(2)) of the amount so collected, but only to the extent necessary to
reimburse amounts paid to the
family as assistance by the State.

"(cc) DISTRIBUTION OF THE
REMAINDER TO THE FAMILY.—
To the extent that neither divi-
sion (aa) nor division (bb) applies
to the amount so collected, the
State shall distribute the amount
to the family.

"(iii) DISTRIBUTION OF ARREARAGES
THAT ACCRUED WHILE THE FAMILY RE-
CEIVED ASSISTANCE.—In the case of a
family described in this subparagraph, the
provisions of paragraph (1) shall apply
with respect to the distribution of support
arrearages that accrued while the family
received assistance.

"(iv) AMOUNTS COLLECTED PURSU-
ANT TO SECTION 464.—Notwithstanding
any other provision of this section, any
amount of support collected pursuant to
section 464 shall be retained by the State
to the extent past-due support has been as-
signed to the State as a condition of re-
ceiving assistance from the State, up to the
amount necessary to reimburse the State for amounts paid to the family as assistance by the State. The State shall pay to the Federal Government the Federal share of the amounts so retained. To the extent the amount collected pursuant to section 464 exceeds the amount so retained, the State shall distribute the excess to the family.

"(v) ORDERING RULES FOR DISTRIBUTIONS.—For purposes of this subparagraph, unless an earlier effective date is required by this section, effective October 1, 2000, the State shall treat any support arrearages collected, except for amounts collected pursuant to section 464, as accruing in the following order:

"(I) To the period after the family ceased to receive assistance.

"(II) To the period before the family received assistance.

"(III) To the period while the family was receiving assistance.

"(3) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State
shall distribute the amount so collected to the family.

"(4) STUDY AND REPORT.—Not later than October 1, 1998, the Secretary shall report to the Congress the Secretary's findings with respect to—

"(A) whether the distribution of post-assistance arrearages to families has been effective in moving people off of welfare and keeping them off of welfare;

"(B) whether early implementation of a pre-assistance arrearage program by some States has been effective in moving people off of welfare and keeping them off of welfare;

"(C) what the overall impact has been of the amendments made by the Personal Responsibility and Work Opportunity Act of 1996 with respect to child support enforcement in moving people off of welfare and keeping them off of welfare; and

"(D) based on the information and data the Secretary has obtained, what changes, if any, should be made in the policies related to the distribution of child support arrearages.

"(b) CONTINUATION OF ASSIGNMENTS.—Any rights to support obligations, which were assigned to a State as
a condition of receiving assistance from the State under part A and which were in effect on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996, 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 on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996); and

"(B) foster care maintenance payments under the State plan approved under part E of this title.

"(2) FEDERAL SHARE.—The term ‘Federal share’ means that portion of the amount collected resulting from the application of the Federal medical assistance percentage in effect for the fiscal year in which the amount is collected.

"(3) FEDERAL MEDICAL ASSISTANCE PERCENTAGE.—The term ‘Federal medical assistance percentage’ means—
“(A) the Federal medical assistance percentage (as defined in section 1118), in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa; or

“(B) the Federal medical assistance percentage (as defined in section 1905(b), as in effect on September 30, 1996) in the case of any other State.

“(4) State share.—The term ‘State share’ means 100 percent minus the Federal share.

“(d) Hold harmless provision.—If the amounts collected which could be retained by the State in the fiscal year (to the extent necessary to reimburse the State for amounts paid to families as assistance by the State) are less than the State share of the amounts collected in fiscal year 1995 (determined in accordance with section 457 as in effect on the day before the date of the enactment of the Personal Responsibility and Work Opportunity Act of 1996), the State share for the fiscal year shall be an amount equal to the State share in fiscal year 1995.

“(e) Gap payments not subject to distribution under this section.—At State option, this section shall not apply to any amount collected on behalf of a family as support by the State (and paid to the family in addition to the amount of assistance otherwise payable
(b) CONFORMING AMENDMENTS.—

(1) 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”.

(2) Section 454 (42 U.S.C. 654) is amended—

(A) in paragraph (11)—

(i) by striking “(11)” and inserting “(11)(A)”; and

(ii) by inserting after the semicolon “and”; and

(B) by redesignating paragraph (12) as subparagraph (B) of paragraph (11).

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section
shall be effective on October 1, 1996, or earlier at
the State's option.

(2) CONFORMING AMENDMENTS.—The amend-
ments made by subsection (b)(2) shall become effec-
tive on the date of the enactment of this Act.

SEC. 2303. PRIVACY SAFEGUARDS.

(a) STATE PLAN REQUIREMENT.—Section 454 (42
U.S.C. 654), as amended by section 2301(b) of this Act,
is amended—

(1) by striking "and" at the end of paragraph
(24);

(2) by striking the period at the end of para-
graph (25) and inserting "; and"; and

(3) by adding after paragraph (25) the follow-
ing 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 proceed-
ings or actions to establish paternity, or to es-
tablish or enforce support;

"(B) prohibitions against the release of in-
formation on the whereabouts of 1 party to an-
other party against whom a protective order
with respect to the former party has been en-
tered; and

“(C) prohibitions against the release of in-
formation on the whereabouts of 1 party to an-
other 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.

SEC. 2304. RIGHTS TO NOTIFICATION OF HEARINGS.

(a) IN GENERAL.—Section 454 (42 U.S.C. 654), as
amended by section 2302(b)(2) of this Act, is amended
by inserting after paragraph (11) the following new para-
graph:

“(12) provide for the establishment of proce-
dures to require the State to provide individuals who
are applying for or receiving services under the State
plan, or who are parties to cases in which services
are being provided under the State plan—

“(A) with notice of all proceedings in
which support obligations might be established
or modified; and
“(B) with a copy of any order establishing
or modifying a child support obligation, or (in
the case of a petition for modification) 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 de-
termination;”.

(b) EFFECTIVE DATE.—The amendment made by
subsection (a) shall become effective on October 1, 1997.

Subchapter B—Locate and Case Tracking

SEC. 2311. STATE CASE REGISTRY.

Section 454A, as added by section 2344(a)(2) of this
Act, is amended by adding at the end the following new
subsections:

“(e) STATE CASE REGISTRY.—

“(1) CONTENTS.—The automated system re-
quired by this section shall include a registry (which
shall be known as the ‘State case registry’) that con-
tains 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

“(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 update, 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 DISCLOSES 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 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 a State plan under title XV or a State plan approved under title XIX, 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. 2312. COLLECTION AND DISBURSEMENT OF SUPPORT PAYMENTS.

(a) State Plan Requirement.—Section 454 (42 U.S.C. 654), as amended by sections 2301(b) and 2303(a) of this Act, is amended—

(1) by striking “and” at the end of paragraph (25); and

(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) contractors reporting directly to the State agency to—

“(i) monitor and enforce support collections through the unit in cases being enforced by the State pursuant to section 454(4) (including carrying out the automated data processing responsibilities described in section 454A(g)); and

“(ii) take the actions described in section 466(e)(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 2344(a)(2) of this Act, 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—

“(A) in all cases being enforced by the State pursuant to section 454(4); and

“(B) in all cases not being enforced by the State under this part in which the support order is initially issued in the State on or after January 1, 1994, and in which the wages of the noncustodial parent are subject to withholding pursuant to section 466(a)(8)(B).

“(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) except in cases described in paragraph (1)(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, if the Secretary agrees 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.'

(e) Use of Automated System.—Section 454A, as added by section 2344(a)(2) and as amended by section 2311 of this Act, 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 of notice of, and the income source subject to, such withholding from a court, another State, an employer, the Federal Parent Locator Service, or another source recognized by the State; 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)) if 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 DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall become effective on October 1, 1998.

(2) LIMITED EXCEPTION TO UNIT HANDLING PAYMENTS.—Notwithstanding section 454B(b)(1) of the Social Security Act, as added by this section, any State which, as of the date of the enactment of this Act, processes the receipt of child support payments through local courts may, at the option of the State, continue to process through September 30, 1999, such payments through such courts as processed such payments on or before such date of enactment.

SEC. 2313. STATE DIRECTORY OF NEW HIRES.

(a) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 2301(b), 2303(a) and 2312(a) of this Act, is amended—

(1) by striking “and” at the end of paragraph (26); and

(2) by striking the period at the end of paragraph (27) and inserting “; and”; and

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(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.—

“(A) REQUIREMENT FOR STATES THAT HAVE NO DIRECTORY.—Except as provided in subparagraph (B), not later than October 1, 1997, each State shall establish an automated directory (to be known as the ‘State Directory of New Hires’) which shall contain information supplied in accordance with subsection (b) by employers on each newly hired employee.

“(B) STATES WITH NEW HIRE REPORTING IN EXISTENCE.—A State which has a new hire reporting law in existence on the date of the enactment of this section may continue to operate under the State law, but the State must meet the requirements of subsection (g)(2) not later
than October 1, 1997, and the requirements of this section (other than subsection (g)(2)) not later than October 1, 1998.

"(2) DEFINITIONS.—As used in this section:

"(A) EMPLOYEE.—The term 'employee'—

"(i) means an individual who is an employee within the meaning of chapter 24 of the Internal Revenue Code of 1986; and

"(ii) does not include an employee of a Federal or State agency performing intelligence or counterintelligence functions, if the head of such agency has determined that reporting pursuant to paragraph (1) with respect to the employee could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.

"(B) EMPLOYER.—

"(i) IN GENERAL.—The term 'employer' has the meaning given such term in section 3401(d) of the Internal Revenue Code of 1986 and includes any governmental entity and any labor organization.

"(ii) LABOR ORGANIZATION.—The term 'labor organization' shall have the
meaning given such term in section 2(5) of the National Labor Relations Act, and includes any entity (also known as a 'hiring hall') which is used by the organization and an employer to carry out requirements described in section 8(f)(3) of such Act of an agreement between the organization and the employer.

"(b) EMPLOYER INFORMATION.—

"(1) REPORTING REQUIREMENT.—

"(A) IN GENERAL.—Except as provided in subparagraphs (B) and (C), each employer shall furnish to the Directory of New Hires of the State in which a newly hired employee works, a report that contains the name, address, and social security number of the employee, and the name and address of, and identifying number assigned under section 6109 of the Internal Revenue Code of 1986 to, the employer.

"(B) MULTISTATE EMPLOYERS.—An employer that has employees who are employed in 2 or more States and that transmits reports magnetically or electronically may comply with subparagraph (A) by designating 1 State in which such employer has employees to which...
the employer will transmit the report described in subparagraph (A), and transmitting such report to such State. Any employer that transmits reports pursuant to this subparagraph shall notify the Secretary in writing as to which State such employer designates for the purpose of sending reports.

"(C) Federal government employers.—Any department, agency, or instrumentality of the United States shall comply with subparagraph (A) by transmitting the report described in subparagraph (A) to the National Directory of New Hires established pursuant to section 453.

"(2) Timing of report.—Each State may provide the time within which the report required by paragraph (1) shall be made with respect to an employee, but such report shall be made—

"(A) not later than 20 days after the date the employer hires the employee; or

"(B) in the case of an employer transmitting reports magnetically or electronically, by 2 monthly transmissions (if necessary) not less than 12 days nor more than 16 days apart.
"(c) REPORTING FORMAT AND METHOD.—Each report required by subsection (b) shall be made on a W-4 form or, at the option of the employer, an equivalent form, and may be transmitted by 1st class mail, magnetically, or electronically.

"(d) CIVIL MONEY PENALTIES ON NONCOMPLYING EMPLOYERS.—The State shall have the option to set a State civil money penalty which shall 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 May 1, 1998, an agency designated by the State shall, directly or by contract, conduct automated comparisons of the social security numbers reported by employers pursuant to subsection (b) and the social security numbers appearing in the records of the State
case registry for cases being enforced under the State plan.

"(2) NOTICE OF MATCH.—When an information comparison conducted under paragraph (1) reveals a match with respect to the social security number of an individual required to provide support under a support order, the State Directory of New Hires shall provide the agency administering the State plan approved under this part of the appropriate State with the name, address, and social security number of the employee to whom the social security number is assigned, and the name and address 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 periodi...
child support obligation (including any past due sup-
port obligation) of the employee, unless the employ-
ee's wages are not subject to withholding pursuant
to section 466(b)(3).

"(2) TRANSMISSIONS TO THE NATIONAL DIREC-
TORY OF NEW HIRES.—

"(A) NEW HIRE INFORMATION.—Within 3
business days after the date information re-
garding a newly hired employee is entered into
the State Directory of New Hires, the State Di-
rectory of New Hires shall furnish the informa-
tion to the National Directory of New Hires.

"(B) WAGE AND UNEMPLOYMENT COM-
PENSATION INFORMATION.—The State Direc-
tory 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 com-
pensation 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.

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“(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 programs.”.

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(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 governmental entities and labor organizations (as defined in section 453A(a)(2)(B)(iii))" after "employers"; and

(2) by inserting "and except that no report shall be filed with respect to an employee of a State or local agency performing intelligence or counter-intelligence 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 investigation or intelligence mission" after "paragraph (2)".

SEC. 2314. AMENDMENTS CONCERNING INCOME WITHHOLDING.

(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 noncustodial parent to whom paragraph (1) applies—

“(i) that the withholding has commenced; and

“(ii) of the procedures to follow if the noncustodial 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) of this paragraph 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 5 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. The employer shall comply with the procedural rules relating to income withholding of the State in which the employee works, regardless of the State where the notice originates.”;
(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 noncustodial 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 without advance notice to the obligor, including issuing the withholding order through electronic means.”.

(b) CONFORMING AMENDMENT.—Section 466(c) (42 U.S.C. 666(c)) is repealed.

SEC. 2315. LOCATOR INFORMATION FROM INTERSTATE NETWORKS.

Section 466(a) (42 U.S.C. 666(a)) is amended by inserting after paragraph (11) the following new paragraph:

“(12) LOCATOR INFORMATION FROM INTERSTATE NETWORKS.—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. 2316. 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 custody or 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 custody or 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)—

(A) in the matter preceding paragraph (1), by striking “social security” and all that follows
through “absent parent” and inserting “information described in subsection (a)”;
and

(B) in the flush paragraph at the end, by adding the following: “No information shall be
disclosed to any person if the State has notified
the Secretary that the State has reasonable evi-
dence of domestic violence or child abuse and
the disclosure of such information could be
harmful to the custodial parent or the child of
such parent. Information received or transmit-
ted pursuant to this section shall be subject to
the safeguard provisions contained in section
454(26).”.

(b) AUTHORIZED PERSON FOR INFORMATION RE-
GARDING 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 pro-
viding child custody or visitation rights”; and

(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 child custody
or visitation rights, or any agent of such court;”.

(c) REIMBURSEMENT FOR INFORMATION FROM FED-
ERAL 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) Reimbursement for Reports by State Agencies.—The Secretary may reimburse Federal and State agencies for the costs incurred by such entities in furnishing information requested by the Secretary under this section in an amount which the Secretary determines to be reasonable payment for the information exchange (which amount shall not include payment for the costs of obtaining, compiling, or maintaining the information).".

(e) Conforming 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 subsections:

"(h) FEDERAL CASE REGISTRY OF CHILD SUPPORT ORDERS.—

“(1) IN GENERAL.—Not later than October 1, 1998, in order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall establish and maintain in the Federal Parent Locator Service an automated registry (which shall be known as the ‘Federal Case Registry of Child Support Orders’), which shall contain abstracts of support orders and other information described in paragraph (2) with respect to each case in each State case registry maintained pursuant to section 454A(e), as furnished (and regularly updated), pursuant to section 454A(f), by State agencies administering programs under this part."
“(2) CASE INFORMATION.—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) NATIONAL DIRECTORY OF NEW HIRES.—

“(1) IN GENERAL.—In order to assist States in administering programs under State plans approved under this part and programs funded under part A, and for the other purposes specified in this section, the Secretary shall, not later than October 1, 1997, establish and maintain in the Federal Parent Locator Service an automated directory to be known as the National Directory of New Hires, which shall contain the information supplied pursuant to section 453A(g)(2).

“(2) ENTRY OF DATA.—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) Administration of Federal Tax Laws.—The Secretary of the Treasury shall have access to the information in the National Directory of New Hires for purposes of administering section 32 of the Internal Revenue Code of 1986, or the advance payment of the earned income tax credit under section 3507 of such Code, and verifying a claim with respect to employment in a tax return.

“(4) List of Multistate Employers.—The Secretary shall maintain within the National Directory of New Hires a list of multistate employers that report information regarding newly hired employees pursuant to section 453A(b)(1)(B), and the State which each such employer has designated to receive such information.

“(j) Information Comparisons and Other Disclosures.—

“(1) Verification by Social Security Administration.—

“(A) In General.—The Secretary shall transmit information on individuals and employers maintained under this section to the Social Security Administration to the extent necessary for verification in accordance with subparagraph (B).
“(B) VERIFICATION BY SSA.—The Social Security Administration shall verify the accuracy of, correct, or supply to the extent possible, and report to the Secretary, the following information supplied by the Secretary pursuant to subparagraph (A):

“(i) The name, social security number, and birth date of each such individual.

“(ii) The employer identification number of each such employer.

“(2) INFORMATION COMPARISONS.—For the purpose of locating individuals in a paternity establishment case or a case involving the establishment, modification, or enforcement of a support order, the Secretary shall—

“(A) compare information in the National Directory of New Hires against information in the support case abstracts in the Federal Case Registry of Child Support Orders not less often than every 2 business days; and

“(B) within 2 business days after such a comparison reveals a match with respect to an individual, report the information to the State agency responsible for the case.
“(3) INFORMATION COMPARISONS AND DISCLOSURES OF INFORMATION IN ALL REGISTRIES FOR TITLE IV PROGRAM PURPOSES.—To the extent and with the frequency that the Secretary determines to be effective in assisting States to carry out their responsibilities under programs operated under this part and programs funded under part A, the Secretary shall—

“(A) compare the information in each component of the Federal Parent Locator Service maintained under this section against the information in each other such component (other than the comparison required by paragraph (2)), and report instances in which such a comparison reveals a match with respect to an individual to State agencies operating such programs; and

“(B) disclose information in such registries to such State agencies.

“(4) PROVISION OF NEW HIRE INFORMATION TO THE SOCIAL SECURITY ADMINISTRATION.—The National Directory of New Hires shall provide the Commissioner of Social Security with all information in the National Directory.
“(5) **RESEARCH.**—The Secretary may provide access to 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) **FEES.**—

“(1) **FOR SSA VERIFICATION.**—The Secretary shall reimburse the Commissioner of Social Security, at a rate negotiated between the Secretary and the Commissioner, for the costs incurred by the Commissioner in performing the verification services described in subsection (j).

“(2) **FOR INFORMATION FROM STATE DIRECTORIES OF NEW HIRES.**—The Secretary shall reimburse costs incurred by State directories of new hires in furnishing information as required by 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) **FOR INFORMATION FURNISHED TO STATE AND FEDERAL AGENCIES.**—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).

"(l) RESTRICTION ON DISCLOSURE AND USE.—In-
formation in the Federal Parent Locator Service, and in-
formation resulting from comparisons using such informa-
tion, shall not be used or disclosed except as expressly pro-
vided in this section, subject to section 6103 of the Inter-

"(m) INFORMATION INTEGRITY AND SECURITY.—
The Secretary shall establish and implement safeguards
with respect to the entities established under this section
designed to—

"(1) ensure the accuracy and completeness of
information in the Federal Parent Locator Service;

and

"(2) restrict access to confidential information
in the Federal Parent Locator Service to authorized
persons, and restrict use of such information to au-
thorized purposes.

"(n) FEDERAL GOVERNMENT REPORTING.—Each
department, agency, and instrumentality of the United
States shall on a quarterly basis report to the Federal
Parent Locator Service the name and social security number of each employee and the wages paid to the employee during the previous quarter, except that such a report shall not be filed with respect to an employee of a department, agency, or instrumentality performing intelligence or counterintelligence functions, if the head of such department, agency, or instrumentality has determined that filing such a report could endanger the safety of the employee or compromise an ongoing investigation or intelligence mission.”.

(g) CONFORMING AMENDMENTS.—

(1) To PART D OF TITLE IV OF THE SOCIAL SECURITY ACT.—

(A) 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;”.

(B) Section 454(13) (42 U.S.C. 654(13)) is amended by inserting “and provide that information requests by parents who are residents of other States be treated with the same priority as requests by parents who are residents of the State submitting the plan” before the semicolon.
(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 appears and inserting "Secretary of Health and Human Services";

(B) in subparagraph (B), by striking "such information" and all that follows and inserting "information furnished under subparagraph (A) or (B) is used only for the purposes authorized under such subparagraph;";

(C) by striking "and" at the end of subparagraph (A);

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

"(B) wage and unemployment compensation information contained in the records of such agency shall be furnished to the Secretary of Health and Human Services (in accordance with regulations promulgated by such Secretary) as necessary for the purposes of the National Directory of New Hires es-
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 agen-
cy charged with the administration of the State law, finds
that there is a failure to comply substantially with the re-
quirements 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 satis-
fied 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 Treas-
ury with respect to the State.

“(3) For purposes of this subsection—

“(A) the term ‘wage information’ means infor-
mation regarding wages paid to an individual, the
social security account number of such individual,
and the name, address, State, and the Federal em-
ployer identification number of the employer paying
such wages to such individual; and

“(B) the term ‘claim information’ means infor-
mation regarding whether an individual is receiving,
has received, or has made application for, unemploy-
ment compensation, the amount of any such compen-
sation being received (or to be received by such
individual), and the individual’s current (or most re-
cent) home address.”.
(4) Disclosure of Certain Information to Agents of Child Support Enforcement Agencies.—

(A) In General.—Paragraph (6) of section 6103(l) of the Internal Revenue Code of 1986 (relating to disclosure of return information to Federal, State, and local child support enforcement agencies) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

"(B) Disclosure to Certain Agents.—The following information disclosed to any child support enforcement agency under subparagraph (A) with respect to any individual with respect to whom child support obligations are sought to be established or enforced may be disclosed by such agency to any agent of such agency which is under contract with such agency to carry out the purposes described in subparagraph (C):

"(i) The address and social security account number (or numbers) of such individual."

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“(ii) The amount of any reduction under section 6402(c) (relating to offset of past-due support against overpayments) in any overpayment otherwise payable to such individual.”.

(B) CONFORMING AMENDMENTS.—

(i) Paragraph (3) of section 6103(a) of such Code is amended by striking “(l)(12)” and inserting “paragraph (6) or (12) of subsection (l)”.

(ii) Subparagraph (C) of section 6103(l)(6) of such Code, as redesignated by subsection (a), is amended to read as follows:

“(C) RESTRICTION ON DISCLOSURE.—Information may be disclosed under this paragraph only for purposes of, and to the extent necessary in, establishing and collecting child support obligations from, and locating, individuals owing such obligations.”.

(iii) The material following subparagraph (F) of section 6103(p)(4) of such Code is amended by striking “subsection (l)(12)(B)” and inserting “paragraph (6)(A) or (12)(B) of subsection (l)”.

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(h) REQUIREMENT FOR COOPERATION.—The Secretary of Labor and the Secretary of Health and Human Services shall work jointly to develop cost-effective and efficient methods of accessing the information in the various State directories of new hires and the National Directory of New Hires as established pursuant to the amendments made by this subchapter. In developing these methods the Secretaries shall take into account the impact, including costs, on the States, and shall also consider the need to insure the proper and authorized use of wage record information.

SEC. 2317. COLLECTION AND USE OF SOCIAL SECURITY NUMBERS FOR USE IN CHILD SUPPORT ENFORCEMENT.

Section 466(a) (42 U.S.C. 666(a)), as amended by section 2315 of this Act, is amended by inserting after paragraph (12) the following new paragraph:

"(13) RECORDING OF SOCIAL SECURITY NUMBERS IN CERTAIN FAMILY MATTERS.—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.”.

Subchapter C—Streamlining and Uniformity of Procedures

SEC. 2321. ADOPTION OF UNIFORM STATE LAWS.

Section 466 (42 U.S.C. 666) is amended by adding at the end the following new subsection:

“(f) UNIFORM INTERSTATE FAMILY SUPPORT ACT.—

“(1) ENACTMENT AND USE.—In order to satisfy section 454(20)(A), on and after January 1, 1998, each State must have in effect the Uniform Interstate Family Support Act, as approved by the American Bar Association on February 9, 1993, together with any amendments officially adopted before January 1, 1998 by the National Conference of Commissioners on Uniform State Laws.
“(2) EMPLOYERS TO FOLLOW PROCEDURAL RULES OF STATE WHERE EMPLOYEE WORKS.—The State law enacted pursuant to paragraph (1) shall provide that an employer that receives an income withholding order or notice pursuant to section 501 of the Uniform Interstate Family Support Act follow the procedural rules that apply with respect to such order or notice under the laws of the State in which the obligor works.”.

SEC. 2322. IMPROVEMENTS TO FULL FAITH AND CREDIT FOR CHILD SUPPORT ORDERS.

Section 1738B of title 28, United States Code, is amended—

(1) in subsection (a)(2), by striking “subsection (e)” and inserting “subsections (e), (f), and (i)”;

(2) in subsection (b), by inserting after the 2nd undesignated paragraph the following:

‘child’s home State’ means the State in which a child lived with a parent or a person acting as parent for at least 6 consecutive months immediately preceding the time of filing of a petition or comparable pleading for support and, if a child is less than 6 months old, the State in which the child lived from birth with any of them. A period of temporary absence of any of them is counted as part of the 6-month period.”;

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(3) in subsection (e), by inserting "by a court of a State" before "is made";

(4) in subsection (c)(1), by inserting "and subsections (e), (f), and (g)" after "located";

(5) in subsection (d)—

(A) by inserting "individual" before "contestant"; and

(B) by striking "subsection (e)" and inserting "subsections (e) and (f)";

(6) in subsection (e), by striking "make a modification of a child support order with respect to a child that is made" and inserting "modify a child support order issued";

(7) in subsection (e)(1), by inserting "pursuant to subsection (i)" before the semicolon;

(8) in subsection (e)(2)—

(A) by inserting "individual" before "contestant" each place such term appears; and

(B) by striking "to that court’s making the modification and assuming" and inserting "with the State of continuing, exclusive jurisdiction for a court of another State to modify the order and assume";

(9) by redesignating subsections (f) and (g) as subsections (g) and (h), respectively;
by inserting after subsection (e) the following new subsection:

"(f) RECOGNITION OF CHILD SUPPORT ORDERS.—If 1 or more child support orders have been issued with regard to an obligor and a child, a court shall apply the following rules in determining which order to recognize for purposes of continuing, exclusive jurisdiction and enforcement:

"(1) If only 1 court has issued a child support order, the order of that court must be recognized.

"(2) If 2 or more courts have issued child support orders for the same obligor and child, and only 1 of the courts would have continuing, exclusive jurisdiction under this section, the order of that court must be recognized.

"(3) If 2 or more courts have issued child support orders for the same obligor and child, and more than 1 of the courts would have continuing, exclusive jurisdiction under this section, an order issued by a court in the current home State of the child must be recognized, but if an order has not been issued in the current home State of the child, the order most recently issued must be recognized.

"(4) If 2 or more courts have issued child support orders for the same obligor and child, and none
of the courts would have continuing, exclusive jurisdic-
tion under this section, a court may issue a child
support order, which must be recognized.

“(5) The court that has issued an order recog-
nized under this subsection is the court having con-
tinuing, exclusive jurisdiction.”;

(11) in subsection (g) (as so redesignated)—

(A) by striking “PRIOR” and inserting
“MODIFIED”; and

(B) by striking “subsection (e)” and in-
serting “subsections (e) and (f)”;

(12) in subsection (h) (as so redesignated)—

(A) in paragraph (2), by inserting “includ-
ing the duration of current payments and other
obligations of support” before the comma; and

(B) in paragraph (3), by inserting “arrears
under” after “enforce”; and

(13) by adding at the end the following new
subsection:

“(i) REGISTRATION FOR MODIFICATION.—If there is
no individual contestant or child residing in the issuing
State, the party or support enforcement agency seeking
to modify, or to modify and enforce, a child support order
issued in another State shall register that order in a State
with jurisdiction over the nonmovant for the purpose of
modification.”.

SEC. 2323. ADMINISTRATIVE ENFORCEMENT IN INTER-
STATE CASES.

Section 466(a) (42 U.S.C. 666(a)), as amended by
sections 2315 and 2317(a) of this Act, is amended by in-
serting after paragraph (13) the following new paragraph:

“(14) ADMINISTRATIVE ENFORCEMENT IN
INTERSTATE CASES.—Procedures under which—

“(A)(i) the State shall respond within 5
business days to a request made by another
State to enforce a support order; and

“(ii) the term ‘business day’ means a day
on which State offices are open for regular
business;

“(B) the State may, by electronic or other
means, transmit to another State a request for
assistance in a case involving the enforcement
of a support order, which request—

“(i) shall include such information as
will enable the State to which the request
is transmitted to compare the information
about the case to the information in the
data bases of the State; and
“(ii) shall constitute a certification by
the requesting State—

“(I) of the amount of support
under the order the payment of which
is in arrears; and

“(II) that the requesting State
has complied with all procedural due
process requirements applicable to the
case;

“(C) if the State provides assistance to an-
other State pursuant to this paragraph with re-
spect to a case, neither State shall consider the
case to be transferred to the caseload of such
other State; and

“(D) the State shall maintain records of—

“(i) the number of such requests for
assistance received by the State;

“(ii) the number of cases for which
the State collected support in response to
such a request; and

“(iii) the amount of such collected
support.”.

SEC. 2324. USE OF FORMS IN INTERSTATE ENFORCEMENT.

(a) PROMULGATION.—Section 452(a) (42 U.S.C.
652(a)) is amended—
(1) by striking "and" at the end of paragraph (9);

(2) by striking the period at the end of paragraph (10) and inserting "; and"; and

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

"(11) not later than October 1, 1996, after consulting with the State directors of programs under this part, promulgate forms to be used by States in interstate cases for—

"(A) collection of child support through income withholding;

"(B) imposition of liens; and

"(C) administrative subpoenas."

(b) USE BY STATES.—Section 454(9) (42 U.S.C. 654(9)) 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) not later than March 1, 1997, in using the forms promulgated pursuant to section 452(a)(11) for income withholding, imposi-
tion of liens, and issuance of administrative subpoenas in interstate child support cases;”.

SEC. 2325. STATE LAWS PROVIDING EXPEDITED PROCEDURES.

(a) STATE LAW REQUIREMENTS.—Section 466 (42 U.S.C. 666), as amended by section 2314 of this Act, is amended—

(1) in subsection (a)(2), by striking the first sentence and inserting the following: “Expedited administrative and judicial procedures (including the procedures specified in subsection (c)) for establishing paternity and for establishing, modifying, and enforcing support obligations.”; and

(2) by inserting after subsection (b) the following new subsection:

“(c) EXPEDITED PROCEDURES.—The procedures specified in this subsection are the following:

“(1) ADMINISTRATIVE ACTION BY STATE AGENCY.—Procedures which give the State agency the authority to take the following actions relating to establishment of paternity or to establishment, modification, or enforcement of support orders, without the necessity of obtaining an order from any other judicial or administrative tribunal, and to recognize
and enforce the authority of State agencies of other States to take the following actions:

"(A) GENETIC TESTING.—To order genetic testing for the purpose of paternity establishment as provided in section 466(a)(5).

"(B) FINANCIAL OR OTHER INFORMATION.—To subpoena any financial or other information needed to establish, modify, or enforce a support order, and to impose penalties for failure to respond to such a subpoena.

"(C) RESPONSE TO STATE AGENCY REQUEST.—To require all entities in the State (including for-profit, nonprofit, and governmental employers) to provide promptly, in response to a request by the State agency of that or any other State administering a program under this part, information on the employment, compensation, and benefits of any individual employed by such entity as an employee or contractor, and to sanction failure to respond to any such request.

"(D) ACCESS TO CERTAIN RECORDS.—To obtain access, subject to safeguards on privacy and information security, to the following records (including automated access, in the case...
of records maintained in automated data bases):

"(i) Records of other State and local government agencies, including—

"(I) vital statistics (including records of marriage, birth, and divorce);

"(II) State and local tax and revenue records (including information on residence address, employer, income and assets);

"(III) records concerning real and titled personal property;

"(IV) records of occupational and professional licenses, and records concerning the ownership and control of corporations, partnerships, and other business entities;

"(V) employment security records;

"(VI) records of agencies administering public assistance programs;

"(VII) records of the motor vehicle department; and

"(VIII) corrections records.
“(ii) Certain records held by private entities with respect to individuals who owe or are owed support (or against or with respect to whom a support obligation is sought), consisting of—

“(I) the names and addresses of such individuals and the names and addresses of the employers of such individuals, as appearing in customer records of public utilities and cable television companies; and

“(II) information (including information on assets and liabilities) on such individuals held by financial institutions, subject to the nonliability of such entities arising from affording such access under this subparagraph.

“(E) CHANGE IN PAYEE.—In cases in which support is subject to an assignment in order to comply with a requirement imposed pursuant to part A or section 1912, or to a requirement to pay through the State disbursement unit established pursuant to section 454B, upon providing notice to obligor and obli-
gee, to direct the obligor or other payor to change the payee to the appropriate government entity.

"(F) INCOME WITHHOLDING.—To order income withholding in accordance with subsections (a)(1)(A) and (b) of section 466.

"(G) SECURING ASSETS.—In cases in which there is a support arrearage, to secure assets to satisfy the arrearage by—

"(i) intercepting or seizing periodic or lump-sum payments from—

"(I) a State or local agency, including unemployment compensation, workers' compensation, and other benefits; and

"(II) judgments, settlements, and lotteries;

"(ii) attaching and seizing assets of the obligor held in financial institutions;

"(iii) attaching public and private retirement funds; and

"(iv) imposing liens in accordance with subsection (a)(4) and, in appropriate cases, to force sale of property and distribution of proceeds.
"(H) INCREASE MONTHLY PAYMENTS.—

For the purpose of securing overdue support, to increase the amount of monthly support payments to include amounts for arrearages, subject to such conditions or limitations as the State may provide.

Such procedures shall be subject to due process safeguards, including (as appropriate) requirements for notice, opportunity to contest the action, and opportunity for an appeal on the record to an independent administrative or judicial tribunal.

"(2) SUBSTANTIVE AND PROCEDURAL RULES.—

The expedited procedures required under subsection (a)(2) shall include the following rules and authority, applicable with respect to all proceedings to establish paternity or to establish, modify, or enforce support orders:

"(A) LOCATOR INFORMATION; PRESUMPTIONS CONCERNING NOTICE.—Procedures under which—

"(i) each party to any paternity or child support proceeding is required (subject to privacy safeguards) to file with the tribunal and the State case registry upon entry of an order, and to update as appro-
appropriate, information on location and identity of the party, including social security number, residential and mailing addresses, telephone number, driver's license number, and name, address, and telephone number of employer; and

“(ii) in any subsequent child support enforcement action between the parties, upon sufficient showing that diligent effort has been made to ascertain the location of such a party, the tribunal may deem State due process requirements for notice and service of process to be met with respect to the party, upon delivery of written notice to the most recent residential or employer address filed with the tribunal pursuant to clause (i).

“(B) STATEWIDE JURISDICTION.—Procedures under which—

“(i) the State agency and any administrative or judicial tribunal with authority to hear child support and paternity cases exerts statewide jurisdiction over the parties; and
“(ii) in a State in which orders are issued by courts or administrative tribunals, a case may be transferred between local jurisdictions in the State without need for any additional filing by the petitioner, or service of process upon the respondent, to retain jurisdiction over the parties.

“(3) COORDINATION WITH ERISA.—Notwithstanding subsection (d) of section 514 of the Employee Retirement Income Security Act of 1974 (relating to effect on other laws), nothing in this subsection shall be construed to alter, amend, modify, invalidate, impair, or supersede subsections (a), (b), and (c) of such section 514 as it applies with respect to any procedure referred to in paragraph (1) and any expedited procedure referred to in paragraph (2), except to the extent that such procedure would be consistent with the requirements of section 206(d)(3) of such Act (relating to qualified domestic relations orders) or the requirements of section 609(a) of such Act (relating to qualified medical child support orders) if the reference in such section 206(d)(3) to a domestic relations order and the reference in such section 609(a) to a medical child support order were a reference to a support order re-
ferred to in paragraphs (1) and (2) relating to the same matters, respectively.”.

(b) AUTOMATION OF STATE AGENCY FUNCTIONS.—
Section 454A, as added by section 2344(a)(2) and as amended by sections 2311 and 2312(c) of this Act, is amended by adding at the end the following new sub-
section:

“(h) EXPEDITED ADMINISTRATIVE PROCEDURES.—
The automated system required by this section shall be used, to the maximum extent feasible, to implement the expedited administrative procedures required by section 466(c).”.

Subchapter D—Paternity Establishment

SEC. 2331. 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) PROCEDURES CONCERNING PATERNITY ESTABLISHMENT.—

“(A) ESTABLISHMENT PROCESS AVAILABLE FROM BIRTH UNTIL AGE 18.—

“(i) Procedures which permit the establishment of the paternity of a child at any time before the child attains 18 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 18 years was then in effect in the State.

“(B) PROCEDURES CONCERNING GENETIC TESTING.—

“(i) GENETIC TESTING REQUIRED IN CERTAIN CONTESTED CASES.—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 and other exceptions 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) OTHER REQUIREMENTS.—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 (if the State so elects) from the alleged father if paternity is established; and

“(II) to obtain additional testing in any case if an original test result is contested, upon request and advance payment by the contestant.

“(C) VOLUNTARY PATERNITY ACKNOWLEDGMENT.—

“(i) SIMPLE CIVIL PROCESS.—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 no-
tice, orally and in writing, of the alter-
atives 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) Hospital-based Program.—
Such procedures must include a hospital-
based program for the voluntary acknowl-
edgment of paternity focusing on the pe-
riod immediately before or after the birth
of a child, unless good cause and other ex-
ceptions exist which—

"(I) shall be defined, taking into
account the best interests of the child,
and

"(II) shall be applied in each
case,

by, at the option of the State, the State
agency administering the State program
under part A, this part, title XV, or title
XIX.

"(iii) Paternity Establishment
Services.—
"(I) State-offered services.—Such procedures must require the State agency responsible for maintaining birth records to offer voluntary paternity establishment services.

"(II) Regulations.—

"(aa) Services offered by hospitals and birth record agencies.—The Secretary shall prescribe regulations governing voluntary paternity establishment services offered by hospitals and birth record agencies.

"(bb) Services offered by other entities.—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 provi-
visions used by, use the same ma-
terials used by, provide the per-
sonnel 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 patern-
ity establishment programs of
hospitals and birth record agen-
cies.

“(iv) USE OF PATERNITY ACKNOWL-
EDGMENT AFFIDAVIT.—Such procedures
must require the State to develop and use
an affidavit for the voluntary acknowledg-
ment of paternity which includes the mini-
mum requirements of the affidavit speci-
fied by the Secretary under section
452(a)(7) for the voluntary acknowledg-
ment of paternity, and to give full faith
and credit to such an affidavit signed in
any other State according to its proce-
dures.

“(D) STATUS OF SIGNED PATERNITY AC-
KNOWLEDGMENT.—
“(i) INCLUSION IN BIRTH RECORDS.—Procedures under which the name of the father shall be included on the record of birth of the child of unmarried parents only if—

“(I) the father and mother have signed a voluntary acknowledgment of paternity; or

“(II) a court or an administrative agency of competent jurisdiction has issued an adjudication of paternity.

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 the issuance of an order 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) LEGAL FINDING OF PATERNITY.—Procedures under which a signed voluntary acknowledgment of paternity is considered a legal finding of paternity,
subject to the right of any signatory to rescind the acknowledgment within the earlier of—

"(I) 60 days; or

"(II) the date of an administrative or judicial proceeding relating to the child (including a proceeding to establish a support order) in which the signatory is a party.

"(iii) CONTEST.—Procedures under which, after the 60-day period referred to in clause (ii), 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.

"(E) BAR ON ACKNOWLEDGMENT RATIFICATION PROCEEDINGS.—Procedures under which judicial or administrative proceedings are
not required or permitted to ratify an unchallenged acknowledgment of paternity.

"(F) ADMISSIBILITY OF GENETIC TESTING RESULTS.—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) Presumption of Paternity in Certain Cases.—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) Default Orders.—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) No Right to Jury Trial.—Procedures providing that the parties to an action to establish paternity are not entitled to a trial by jury.

"(J) Temporary Support Order Based on Probable Paternity in Contested Cases.—Procedures which require that a temporary order be issued, upon motion by a party, requiring the provision of child support pending an administrative or judicial determination of parentage, if there is clear and convincing evi-
dence of paternity (on the basis of genetic tests or other evidence).

“(K) Proof of Certain Support and Paternity Establishment Costs.—Procedures under which bills for pregnancy, childbirth, and genetic testing are admissible as evidence without requiring third-party foundation testimony, and shall constitute prima facie evidence of amounts incurred for such services or for testing on behalf of the child.

“(L) Standing of Putative Fathers.—Procedures ensuring that the putative father has a reasonable opportunity to initiate a paternity action.

“(M) Filing of Acknowledgments and Adjudications in State Registry of Birth Records.—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 specify the minimum require-
ments of an affidavit to be used for the voluntary acknowledgment of paternity which shall include the social security number of each parent and, after consultation with the States, other common elements as determined by such designee” before the semicolon.

(c) CONFORMING AMENDMENT.—Section 468 (42 U.S.C. 668) is amended by striking “a simple civil process for voluntarily acknowledging paternity and”.

SEC. 2332. 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. 2333. COOPERATION BY APPLICANTS FOR AND RECIPIENTS OF PART A ASSISTANCE.

Section 454 (42 U.S.C. 654), as amended by sections 2301(b), 2303(a), 2312(a), and 2313(a) of this Act, 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, the State program under title XV, or the State program under title XIX 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 good cause and other exceptions which—

"(i) shall be defined, taking into account the best interests of the child, and

"(ii) shall be applied in each case, by, at the option of the State, the State agency administering the State program under part A, this part, title XV, or title XIX;
“(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;

“(D) may request that the individual sign a voluntary acknowledgment of paternity, after notice of the rights and consequences of such an acknowledgment, but may not require the individual to sign an acknowledgment or otherwise relinquish the right to genetic tests as a condition of cooperation and eligibility for assistance under the State program funded under part A, the State program under title XV, or the State program under title XIX; and

“(E) shall promptly notify the individual and the State agency administering the State program funded under part A, the State agency administering the State program under title XV, and the State agency administering the State program under title XIX, of each such determination, and if noncooperation is determined, the basis therefore.”.
Subchapter E—Program Administration and Funding

SEC. 2341. PERFORMANCE-BASED INCENTIVES AND PENALTIES.

(a) DEVELOPMENT OF NEW SYSTEM.—The Secretary of Health and Human Services, in consultation with State directors of programs under part D of title IV of the Social Security Act, shall develop a new incentive system to replace, in a revenue neutral manner, the system under section 458 of such Act. The new system shall provide additional payments to any State based on such State's performance under such a program. Not later than November 1, 1996, the Secretary shall report on the new system to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(b) CONFORMING AMENDMENTS TO PRESENT SYSTEM.—Section 458 (42 U.S.C. 658) is amended—

(1) in subsection (a), by striking “aid to families with dependent children under a State plan approved under part A of this title” and inserting “assistance under a program funded under part A”;

(2) in subsection (b)(1)(A), by striking “section 402(a)(26)” and inserting “section 408(a)(4)”;

(3) in subsections (b) and (c)—
(A) by striking "AFDC collections" each place it appears and inserting "title IV–A collections", and

(B) by striking "non-AFDC collections" each place it appears and inserting "non-title IV–A collections"; and

(4) in subsection (c), by striking "combined AFDC/non-AFDC administrative costs" both places it appears and inserting "combined title IV–A/non-title IV–A administrative costs".

(c) **Calculation of Paternity Establishment Percentage.**—

(1) Section 452(g)(1)(A) (42 U.S.C. 652(g)(1)(A)) is amended by striking "75" and inserting "90".

(2) Section 452(g)(1) (42 U.S.C. 652(g)(1)) is amended—

(A) by redesignating subparagraphs (B) through (E) as subparagraphs (C) through (F), respectively, and by inserting after subparagraph (A) the following new subparagraph:

"(B) for a State with a paternity establishment percentage of not less than 75 percent but less than 90 percent for such fiscal year, the paternity estab-
lishment percentage of the State for the immediately
preceding fiscal year plus 2 percentage points;”; and
(B) by adding at the end the following new
flush sentence:
“In determining compliance under this section, a State
may use as its paternity establishment percentage either
the State’s IV–D paternity establishment percentage (as
defined in paragraph (2)(A)) or the State’s statewide pa-
ternity establishment percentage (as defined in paragraph
(2)(B)).”.

(3) Section 452(g)(2) (42 U.S.C. 652(g)(2)) is
amended—
(A) in subparagraph (A)—
(i) in the matter preceding clause
(ii)—
(I) by striking “paternity estab-
ishment percentage” and inserting
“IV–D paternity establishment per-
centage”; and
(II) by striking “(or all States, as
the case may be)”; and
(ii) by striking “and” at the end
thereof;
(B) by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:

"(B) the term 'statewide paternity establishment percentage' means, with respect to a State for a fiscal year, the ratio (expressed as a percentage) that the total number of minor children—

"(i) who have been born out of wedlock, and

"(ii) the paternity of whom has been established or acknowledged during the fiscal year, bears to the total number of children born out of wedlock during the preceding fiscal year; and".

(4) 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; and

(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".

(d) EFFECTIVE DATES.—
(1) INCENTIVE ADJUSTMENTS.—

(A) IN GENERAL.—The system developed under subsection (a) and the amendments made by subsection (b) shall become effective on October 1, 1998, except to the extent provided in subparagraph (B).

(B) APPLICATION OF SECTION 458.—Section 458 of the Social Security Act, as in effect on the day 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 1999.

(2) PENALTY REDUCTIONS.—The amendments made by subsection (c) shall become effective with respect to calendar quarters beginning on or after the date of the enactment of this Act.

SEC. 2342. 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 following 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 required 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 automated data processing system required by paragraph (16) and transmitting to the Secretary data and calculations concerning the levels of accomplishment (and rates of improvement) with respect to applicable performance indicators (including paternity establishment percentages) 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 transmitted 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 additional 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 pro-
gram 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. 2343. 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 semi-colon.

(b) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 2301(b), 2303(a), 2312(a), 2313(a), and 2333 of this Act, 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"; 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. 2344. 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 payments and penalty adjustments required by sections 452(g) and 458, the State agency shall—

"(1) use the automated system—

"(A) to maintain the requisite data on State performance with respect to paternity establishment and child support enforcement in the State; and

"(B) to calculate the paternity establishment percentage 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 per-
sonnel 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 para-
graph (1).

"(3) MONITORING OF ACCESS.—Routine mon-
itoring of access to and use of the automated sys-
tem, through methods such as audit trails and feed-
back mechanisms, to guard against and promptly
identify unauthorized access or use.

"(4) TRAINING AND INFORMATION.—Proce-
dures to ensure that all personnel (including State
and local agency staff and contractors) who may
have access to or be required to use confidential pro-
gram 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 un-
authorized 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 section 2303(a)(1) of this Act, 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, 2000, which meets all requirements of this part enacted on or before the date of enactment of the Personal Responsibility and Work Opportunity Act of 1996, 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 2344(a)(3) of the Personal Responsibility and Work Opportunity Act of 1996;".

(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 September 30, 1995) but limited to the amount approved for States in the advance planning documents of such States submitted on or before September 30, 1995. Notwithstanding the preceding sentence, any pay-
ment to a State with respect to fiscal year 1997 shall be made in one payment in fiscal year 1998.

"(B)(i) The Secretary shall pay to each State, for each quarter in fiscal years 1996 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 80 percent."

(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 $400,000,000 in the aggregate under section 455(a)(3)(B) of the Social Security Act for fiscal years 1996 through 2001.

(B) ALLOCATION OF LIMITATION AMONG STATES.—The total amount payable to a State under section 455(a)(3)(B) of such Act for fiscal years 1996 through 2001 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. 2345. 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 appropriated to the Secretary for each fiscal year (beginning with fiscal year 1998) 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. The amount appropriated under this subsection shall remain available until expended."

(b) OPERATION OF FEDERAL PARENT LOCATOR SERVICE.—Section 453 (42 U.S.C. 653), as amended by section 2316 of this Act, is amended by adding at the end the following new subsection:

"(o) RECOVERY OF COSTS.—Out of any money in the Treasury of the United States not otherwise appropriated, there is hereby appropriated to the Secretary for each fis-
cal 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. 2346. 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 cases”;

(ii) by striking “cases where the child was formerly receiving” and inserting “or formerly received”;

(iii) by inserting “or 1912” after “471(a)(17)”; and
(iv) by inserting “for” 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 1997 and succeeding fiscal years.

Subchapter F—Establishment and Modification of Support Orders

SEC. 2351. 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) REVIEW AND ADJUSTMENT OF SUPPORT ORDERS UPON REQUEST.—Procedures under which the State shall review and adjust each support order being enforced under this part if there is an assign-
ment under part A or upon the request of either
parent, and may review and adjust any other sup-
port order being enforced under this part. Such pro-
cedures shall provide the following:

"(A) IN GENERAL.—

"(i) 3-YEAR CYCLE.—Except as pro-
vided in subparagraphs (B) and (C), the
State shall review and, as appropriate, ad-
just the support order every 3 years, tak-
ing into account the best interests of the
child involved.

"(ii) METHODS OF ADJUSTMENT.—
The State may elect to review and, if ap-
propriate, adjust an order pursuant to
clause (i) by—

"(I) reviewing and, if appro-
priate, adjusting the order in accord-
ance 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 ac-
cordance with the guidelines; or

"(II) applying a cost-of-living ad-
justment 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).

"(iii) NO PROOF OF CHANGE IN CIRCUMSTANCES NECESSARY.—Any adjustment under this subparagraph (A) shall be made without a requirement for proof or showing of a change in circumstances.

"(B) AUTOMATED METHOD.—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.

"(C) REQUEST UPON SUBSTANTIAL CHANGE IN CIRCUMSTANCES.—The State shall, at the request of either parent subject to such
an order or of any State child support enforce-
ment agency, review and, if appropriate, adjust the order in accordance with the guidelines es-
tablished pursuant to section 467(a) based upon a substantial change in the circumstances of either parent.

“(D) NOTICE OF RIGHT TO REVIEW.—The State shall provide notice not less than once every 3 years 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 this paragraph. The no-
tice may be included in the order.”.

SEC. 2352. 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 follow-
ing 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. 2353. NONLIABILITY FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL RECORDS TO STATE CHILD SUPPORT ENFORCEMENT AGENCIES IN CHILD SUPPORT CASES.

Part D of title IV (42 U.S.C. 651–669) is amended by adding at the end the following:

"SEC. 469A. NONLIABILITY FOR FINANCIAL INSTITUTIONS PROVIDING FINANCIAL RECORDS TO STATE CHILD SUPPORT ENFORCEMENT AGENCIES IN CHILD SUPPORT CASES.

"(a) IN GENERAL.—Notwithstanding any other provision of Federal or State law, a financial institution shall not be liable under any Federal or State law to any person for disclosing any financial record of an individual to a State child support enforcement agency attempting to establish, modify, or enforce a child support obligation of such individual.

"(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) FINANCIAL INSTITUTION.—The term ‘financial 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(u));
“(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 credit union, as defined in section 206(r) of such Act (12 U.S.C. 1786(r)); and
“(D) any benefit association, insurance company, safe deposit company, money-market mutual fund, or similar entity authorized to do business in the State.

“(2) Financial Record.—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).”.

Subchapter G—Enforcement of Support Orders

Sec. 2361. Internal Revenue Service Collection of Arrearages.

(a) Collection of Fees.—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 pursuant 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. 2362. 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 first-come, first-served basis, with any such process being satisfied out of such moneys as remain after the satisfaction of all such processes which have been previously served.

“(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 govern-
ment 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 ac-
cordance 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 require-
ments of subsection (a) with regard to any individ-
ual shall be subject under any law to any discipli-
nary 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 carry-
ing out of such actions.

“(g) REGULATIONS.—Authority to promulgate regu-
lations 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 compensation for a service-connected disability paid by the Secretary to a former member of the Armed Forces who is in receipt of retired or retainer pay if the former
member has waived a portion of the 
retired or retainer pay in order to re-
ceive such compensation; and 
“(iii) worker’s compensation benefits 
paid under Federal or State law but 
“(B) do not include any payment— 
“(i) by way of reimbursement or oth-
wise, 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 deter-
mining the amount of any moneys due from, or pay-
able 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 pay-

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ment 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 with-
holding of the amounts is authorized or re-
quired 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 pursu-
ant 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 pre-
miums;

"(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 de-
ducted for supplementary coverage).

"(i) DEFINITIONS.—For purposes of 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 amounts required to be paid under 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 other related costs and fees, interest and penalties, income withholding, attorney’s fees, and other relief.

“(3) ALIMONY.—
"(A) IN GENERAL.—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.

"(B) EXCEPTIONS.—Such term does not include—

"(i) any child support; or

"(ii) 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 or an administrative agency of competent jurisdiction in any State, territory, or possession of the United States;

"(ii) a court or an administrative agency 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 or an administrative agency 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 pay-
able 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.—Sec-
tion 5520a of title 5, United States Code, is amend-
ed, in subsections (h)(2) and (i), by striking “sec-
tions 459, 461, and 462 of the Social Security Act
(42 U.S.C. 659, 661, and 662)” and inserting “sec-
tion 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 sub-
paragraph (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—

(A) by inserting “or a support order, as defined in section 453(p) of the Social Security Act (42 U.S.C. 653(p)),” before “which—”;

(B) in subparagraph (B)(i), by striking “(as defined in section 462(b) of the Social Security Act (42 U.S.C. 662(b)))” and inserting “(as defined in section 459(i)(2) of the Social Security Act (42 U.S.C. 659(i)(2)))”; and

(C) in subparagraph (B)(ii), by striking “(as defined in section 462(c) of the Social Security Act (42 U.S.C. 662(c)))” and inserting “(as defined in section 459(i)(3) of the Social Security Act (42 U.S.C. 659(i)(3)))”.

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(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".

(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. 2363. 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 Transpor-
tation with respect to the Coast Guard when it is not operating as a service in the Navy, shall pre-
scribe regulations to facilitate the granting of leave to a member of the Armed Forces under the juris-
diction 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 grant-
ed.

(2) COVERED HEARINGS.—Paragraph (1) ap-
plies 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 mem-
ber of the Armed Forces to provide child sup-
port.
(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 2362(c)(4) of this Act, 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 new sentence: "In the case of a spouse or former spouse who, pursuant to section 408(a)(4) of the Social Security Act (42 U.S.C. 608(a)(4)), 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. 2364. VOIDING OF FRAUDULENT TRANSFERS.

Section 466 (42 U.S.C. 666), as amended by section 2321 of this Act, is amended by adding at the end the following new subsection:

“(g) LAWS VOIDING FRAUDULENT TRANSFERS.—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 sup-
port 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. 2365. WORK REQUIREMENT FOR PERSONS OWING PAST-DUE CHILD SUPPORT.

(a) In General.—Section 466(a) (42 U.S.C. 666(a)), as amended by sections 2315, 2317(a), and 2323 of this Act, is amended by inserting after paragraph (14) the following new paragraph:

"(15) PROCEDURES TO ENSURE THAT PERSONS OWING PAST-DUE SUPPORT WORK OR HAVE A PLAN FOR PAYMENT OF SUCH SUPPORT.—

"(A) In General.—Procedures under which the State has the authority, in any case in which an individual owes past-due support with respect to a child receiving assistance under a State program funded under part A, to issue an order or to request that a court or an administrative process established pursuant to State law issue an order that requires the individual to—

"(i) pay such support in accordance with a plan approved by the court, or, at
the option of the State, a plan approved by
the State agency administering the State
program under this part; or
“(ii) if the individual is subject to
such a plan and is not incapacitated, par-
ticipate in such work activities (as defined
in section 407(d)) as the court, or, at the
option of the State, the State agency ad-
ministering the State program under this
part, deems appropriate.
“(B) PAST-DUE SUPPORT DEFINED.—For
purposes of subparagraph (A), the term ‘past-
due support’ means the amount of a delin-
quency, determined under a court order, or an
order of an administrative process established
under State law, for support and maintenance
of a child, or of a child and the parent with
whom the child is living.”.
(b) CONFORMING AMENDMENT.—The flush para-
graph at the end of section 466(a) (42 U.S.C. 666(a)) is
amended by striking “and (7)” and inserting “(7), and
(15)”.

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SEC. 2366. DEFINITION OF SUPPORT ORDER.

Section 453 (42 U.S.C. 653) as amended by sections 2316 and 2345(b) of this Act, is amended by adding at the end the following new subsection:

“(p) SUPPORT ORDER DEFINED.—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. 2367. REPORTING ARREARAGES TO CREDIT BUREAUS.

Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended to read as follows:

“(7) REPORTING ARREARAGES TO CREDIT BUREAUS.—

“(A) IN GENERAL.—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 non-custodial parent who is delinquent in the payment of support, and the amount of overdue support owed by such parent.

"(B) SAFEGUARDS.—Procedures ensuring that, in carrying out subparagraph (A), information with respect to a noncustodial 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 (as so defined).”."

SEC. 2368. LIENS.

Section 466(a)(4) (42 U.S.C. 666(a)(4)) is amended to read as follows:

“(4) LIENS.—Procedures under which—

“(A) liens arise by operation of law against real and personal property for amounts of overdue support owed by a noncustodial 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, when the State agency, party, or other entity seeking to enforce such a lien complies with the procedural rules relating to recording or serving liens that arise within the State, except that such rules may not require judicial notice or hearing prior to the enforcement of such a lien.”.

SEC. 2369. STATE LAW AUTHORIZING SUSPENSION OF LICENSES.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 2315, 2317(a), 2323, and 2365 of this Act, is amended by inserting after paragraph (15) the following:

“(16) AUTHORITY TO WITHHOLD OR SUSPEND LICENSES.—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. 2370. 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 2345 of this Act, 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 paragraph (2).

"(2) The Secretary of State shall, upon certification by the Secretary transmitted under paragraph (1), refuse to issue a passport to such individual, and may revoke, restrict, or limit a passport issued previously to such individual.

"(3) The Secretary and the Secretary of State shall not be liable to an individual for any action with respect to a certification by a State agency under this section."

(2) STATE AGENCY RESPONSIBILITY.—Section 454 (42 U.S.C. 654), as amended by sections 2301(b), 2303(a), 2312(b), 2313(a), 2333, and 2343(b) of this Act, is amended—
(A) by striking "and" at the end of paragraph (29);

(B) by striking the period at the end of paragraph (30) and inserting "; and"; and

(C) by adding after paragraph (30) the following new paragraph:

"(31) provide that the State agency will have in effect a procedure for certifying to the Secretary, for purposes of the procedure under section 452(k), determinations that individuals owe arrearages of child support in an amount exceeding $5,000, 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) EFFECTIVE DATE.—This section and the amendments made by this section shall become effective October 1, 1997.
SEC. 2371. INTERNATIONAL SUPPORT ENFORCEMENT.

(a) AUTHORITY FOR INTERNATIONAL AGREEMENTS.—Part D of title IV, as amended by section 2362(a) of this Act, is amended by adding after section 459 the following new section:

"SEC. 459A. INTERNATIONAL SUPPORT ENFORCEMENT.

"(a) AUTHORITY FOR DECLARATIONS.—"

"(1) DECLARATION.—The Secretary of State, with the concurrence of the Secretary of Health and Human Services, is authorized to declare any foreign country (or a political subdivision thereof) to be a foreign reciprocating country if the foreign country has established, or undertakes to establish, procedures for the establishment and enforcement of duties of support owed to obligees who are residents of the United States, and such procedures are substantially in conformity with the standards prescribed under subsection (b).

"(2) REVOCATION.—A declaration with respect to a foreign country made pursuant to paragraph (1) may be revoked if the Secretaries of State and Health and Human Services determine that—"

"(A) the procedures established by the foreign country regarding the establishment and enforcement of duties of support have been so changed, or the foreign country's implementa-"
tion of such procedures is so unsatisfactory, that such procedures do not meet the criteria for such a declaration; or

"(B) continued operation of the declaration is not consistent with the purposes of this part.

"(3) FORM OF DECLARATION.—A declaration under paragraph (1) may be made in the form of an international agreement, in connection with an international agreement or corresponding foreign declaration, or on a unilateral basis.

"(b) STANDARDS FOR FOREIGN SUPPORT ENFORCEMENT PROCEDURES.—

"(1) MANDATORY ELEMENTS.—Support enforcement procedures of a foreign country which may be the subject of a declaration pursuant to subsection (a)(1) shall include the following elements:

"(A) The foreign country (or political subdivision thereof) has in effect procedures, available to residents of the United States—

"(i) for establishment of paternity, and for establishment of orders of support for children and custodial parents; and

"(ii) for enforcement of orders to provide support to children and custodial parents, including procedures for collection
and appropriate distribution of support payments under such orders.

"(B) The procedures described in subparagraph (A), including legal and administrative assistance, are provided to residents of the United States at no cost.

"(C) An agency of the foreign country is designated as a Central Authority responsible for—

"(i) facilitating support enforcement in cases involving residents of the foreign country and residents of the United States; and

"(ii) ensuring compliance with the standards established pursuant to this subsection.

"(2) ADDITIONAL ELEMENTS.—The Secretary of Health and Human Services and the Secretary of State, in consultation with the States, may establish such additional standards as may be considered necessary to further the purposes of this section.

"(c) DESIGNATION OF UNITED STATES CENTRAL AUTHORITY.—It shall be the responsibility of the Secretary of Health and Human Services to facilitate support enforcement in cases involving residents of the United

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States and residents of foreign countries that are the subject of a declaration under this section, by activities including—

“(1) development of uniform forms and procedures for use in such cases;

“(2) notification of foreign reciprocating countries of the State of residence of individuals sought for support enforcement purposes, on the basis of information provided by the Federal Parent Locator Service; and

“(3) such other oversight, assistance, and coordination activities as the Secretary may find necessary and appropriate.

“(d) EFFECT ON OTHER LAWS.—States may enter into reciprocal arrangements for the establishment and enforcement of support obligations with foreign countries that are not the subject of a declaration pursuant to subsection (a), to the extent consistent with Federal law.”.

(b) STATE PLAN REQUIREMENT.—Section 454 (42 U.S.C. 654), as amended by sections 2301(b), 2303(a), 2312(b), 2313(a), 2333, 2343(b), and 2370(a)(2) of this Act, 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)(A) provide that any request for services under this part by a foreign reciprocating country or a foreign country with which the State has an arrangement described in section 459A(d)(2) shall be treated as a request by a State;

"(B) provide, at State option, notwithstanding paragraph (4) or any other provision of this part, for services under the plan for enforcement of a spousal support order not described in paragraph (4)(B) entered by such a country (or subdivision); and

"(C) provide that no applications will be required from, and no costs will be assessed for such services against, the foreign reciprocating country or foreign obligee (but costs may at State option be assessed against the obligor)."

SEC. 2372. FINANCIAL INSTITUTION DATA MATCHES.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 2315, 2317(a), 2323, 2365, and 2369 of this Act, is amended by inserting after paragraph (16) the following new paragraph:

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“(17) FINANCIAL INSTITUTION DATA MATCHES.—

“(A) IN GENERAL.—Procedures under which the State agency shall enter into agreements with financial institutions doing business in the State—

“(i) to develop and operate, in coordination with such financial institutions, a data match system, using automated data exchanges to the maximum extent feasible, in which each such financial institution is required to provide for each calendar quarter the name, record address, social security number or other taxpayer identification number, and other identifying information for each noncustodial parent who maintains an account at such institution and who owes past-due support, as identified by the State by name and social security number or other taxpayer identification number; and

“(ii) in response to a notice of lien or levy, encumber or surrender, as the case may be, assets held by such institution on behalf of any noncustodial parent who is
subject to a child support lien pursuant to paragraph (4).

“(B) REASONABLE FEES.—The State agency may pay a reasonable fee to a financial institution for conducting the data match provided for in subparagraph (A)(i), not to exceed the actual costs incurred by such financial institution.

“(C) LIABILITY.—A financial institution shall not be liable under any Federal or State law to any person—

“(i) for any disclosure of information to the State agency under subparagraph (A)(i);

“(ii) for encumbering or surrendering any assets held by such financial institution in response to a notice of lien or levy issued by the State agency as provided for in subparagraph (A)(ii); or

“(iii) for any other action taken in good faith to comply with the requirements of subparagraph (A).

“(D) DEFINITIONS.—For purposes of this paragraph—
“(i) Financial institution.—The term ‘financial institution’ has the meaning given to such term by section 469A(d)(1).

“(ii) Account.—The term ‘account’ means a demand deposit account, checking or negotiable withdrawal order account, savings account, time deposit account, or money-market mutual fund account.”.

SEC. 2373. ENFORCEMENT OF ORDERS AGAINST PATERNAL OR MATERNAL GRANDPARENTS IN CASES OF MINOR PARENTS.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 2315, 2317(a), 2323, 2365, 2369, and 2372 of this Act, is amended by inserting after paragraph (17) the following new paragraph:

“(18) Enforcement of orders against paternal or maternal grandparents.—Procedures under which, at the State’s option, any child support order enforced under this part with respect to a child of minor parents, if the custodial parent of such child is receiving assistance under the State program under part A, shall be enforceable, jointly and severally, against the parents of the noncustodial parent of such child.”.
SEC. 2374. NONDISCHARGEABILITY IN BANKRUPTCY OF CERTAIN DEBTS FOR THE SUPPORT OF A CHILD.

(a) AMENDMENT TO TITLE 11 OF THE UNITED STATES CODE.—Section 523(a) of title 11, United States Code, is amended—

(1) by striking “or” at the end of paragraph (16);

(2) by striking the period at the end of paragraph (17) and inserting “; or”;

(3) by adding at the end the following:

“(18) owed under State law to a State or municipality that is—

“(A) in the nature of support, and

“(B) enforceable under part D of title IV of the Social Security Act (42 U.S.C. 601 et seq.),”, and

(3) in paragraph (5), by striking “section 402(a)(26)” and inserting “section 408(a)(4)”.

(b) AMENDMENT TO THE SOCIAL SECURITY ACT.—Section 456(b) (42 U.S.C. 656(b)) is amended to read as follows:

“(b) NONDISCHARGEABILITY.—A debt (as defined in section 101 of title 11 of the United States Code) owed under State law to a State (as defined in such section) or municipality (as defined in such section) that is in the
nature of support and that is enforceable under this part is not released by a discharge in bankruptcy under title 11 of the United States Code.”.

(c) APPLICATION OF AMENDMENTS.—The amendments made by this section shall apply only with respect to cases commenced under title 11 of the United States Code after the date of the enactment of this Act.

Subchapter H—Medical Support

SEC. 2376. 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, 1997.—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 1st plan year beginning on or after January 1, 1997, if—

(A) during the period after the date before the date of the enactment of this Act and before such 1st plan year, the plan is operated in accordance with the requirements of the amendments made by this section; and

(B) such plan amendment applies retroactively to the period after the date before the date of the enactment of this Act and before such 1st plan year.

A plan shall not be treated as failing to be operated in accordance with the provisions of the plan merely because it operates in accordance with this paragraph.
SEC. 2377. ENFORCEMENT OF ORDERS FOR HEALTH CARE COVERAGE.

Section 466(a) (42 U.S.C. 666(a)), as amended by sections 2315, 2317(a), 2323, 2365, 2369, 2372, and 2373 of this Act, is amended by inserting after paragraph (18) the following new paragraph:

“(19) HEALTH CARE COVERAGE.—Procedures under which all child support orders enforced pursuant to this part shall include a provision for the health care coverage of the child, and in the case in which a noncustodial parent provides such coverage and changes employment, and the new employer provides health care coverage, the State agency shall transfer notice of the provision to the employer, which notice shall operate to enroll the child in the noncustodial parent’s health plan, unless the noncustodial parent contests the notice.”.

Subchapter I—Enhancing Responsibility and Opportunity for Non-Residential Parents

SEC. 2381. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

Part D of title IV (42 U.S.C. 651–669), as amended by section 2353 of this Act, is amended by adding at the end the following new section:
"SEC. 469B. GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS.

(a) IN GENERAL.—The Administration for Children and Families shall make grants under this section to enable States to establish and administer programs to support and facilitate noncustodial parents' access to and visitation of their children, by means of activities including mediation (both voluntary and mandatory), counseling, education, development of parenting plans, visitation enforcement (including monitoring, supervision and neutral drop-off and pickup), and development of guidelines for visitation and alternative custody arrangements.

(b) AMOUNT OF GRANT.—The amount of the grant to be made to a State under this section for a fiscal year (beginning with fiscal year 1998) 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 $10,000,000 for grants under this section for the fiscal year as the number of children in the
State living with only 1 biological parent bears to
the total number of such children in all States.

"(2) MINIMUM ALLOTMENT.—The Administration
for Children and Families shall adjust allot-
ments to States under paragraph (1) as necessary to
ensure that no State is allotted less than—

"(A) $50,000 for fiscal year 1998 or 1999

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 sub-
section (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 con-
tracts with courts, local public agencies, or nonprofit
private entities;

"(2) shall not be required to operate such pro-
grams on a statewide basis; and
"(3) shall monitor, evaluate, and report on such programs in accordance with regulations prescribed by the Secretary."

Subchapter J—Effective Dates and Conforming Amendments

SEC. 2391. EFFECTIVE DATES AND CONFORMING AMENDMENTS.

(a) IN GENERAL.—Except as otherwise specifically provided (but subject to subsections (b) and (c))—

(1) the provisions of this chapter 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 chapter shall become effective upon the date of the enactment of this Act.

(b) GRACE PERIOD FOR STATE LAW CHANGES.—The provisions of this chapter shall become effective with respect to a State on the later of—

(1) the date specified in this chapter, 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 chapter 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 Act.

(d) Conforming Amendments.—

(1) The following provisions are amended by striking “absent” each place it appears and inserting “nonecustodial”:

(A) Section 451 (42 U.S.C. 651).

(B) Subsections (a)(1), (a)(8), (a)(10)(E), (a)(10)(F), (f), and (h) of section 452 (42 U.S.C. 652).

(C) Section 453(f) (42 U.S.C. 653(f)).
(D) Paragraphs (8), (13), and (21)(A) of section 454 (42 U.S.C. 654).

(E) Section 455(e)(1) (42 U.S.C. 655(e)(1)).

(F) Section 458(a) (42 U.S.C. 658(a)).

(G) Subsections (a), (b), and (c) of section 463 (42 U.S.C. 663).

(H) Subsections (a)(3)(A), (a)(3)(C), (a)(6), and (a)(8)(B)(ii), the last sentence of subsection (a), and subsections (b)(1), (b)(3)(B), (b)(3)(B)(i), (b)(6)(A)(i), (b)(8), (b)(9), and (e) of section 466 (42 U.S.C. 666).

(2) The following provisions are amended by striking “an absent” each place it appears and inserting “a noncustodial”:

(A) Paragraphs (2) and (3) of section 453(c) (42 U.S.C. 653(c)).

(B) Subparagraphs (B) and (C) of section 454(9) (42 U.S.C. 654(9)).

(C) Section 456(a)(3) (42 U.S.C. 656(a)(3)).

(D) Subsections (a)(3)(A), (a)(6), (a)(8)(B)(i), (b)(3)(A), and (b)(3)(B) of section 466 (42 U.S.C. 666).
(E) Paragraphs (2) and (4) of section 469(b) (42 U.S.C. 669(b)).

CHAPTER 4—RESTRICTING WELFARE AND PUBLIC BENEFITS FOR ALIENS

SEC. 2400. STATEMENTS OF NATIONAL POLICY CONCERNING WELFARE AND IMMIGRATION.

The Congress makes the following statements concerning national policy with respect to welfare and immigration:

(1) Self-sufficiency has been a basic principle of United States immigration law since this country's earliest immigration statutes.

(2) It continues to be the immigration policy of the United States that—

(A) aliens within the Nation's borders not depend on public resources to meet their needs, but rather rely on their own capabilities and the resources of their families, their sponsors, and private organizations, and

(B) the availability of public benefits not constitute an incentive for immigration to the United States.

(3) Despite the principle of self-sufficiency, aliens have been applying for and receiving public
benefits from Federal, State, and local governments at increasing rates.

(4) Current eligibility rules for public assistance and unenforceable financial support agreements have proved wholly incapable of assuring that individual aliens not burden the public benefits system.

(5) It is a compelling government interest to enact new rules for eligibility and sponsorship agreements in order to assure that aliens be self-reliant in accordance with national immigration policy.

(6) It is a compelling government interest to remove the incentive for illegal immigration provided by the availability of public benefits.

(7) With respect to the State authority to make determinations concerning the eligibility of qualified aliens for public benefits in this chapter, a State that chooses to follow the Federal classification in determining the eligibility of such aliens for public assistance shall be considered to have chosen the least restrictive means available for achieving the compelling governmental interest of assuring that aliens be self-reliant in accordance with national immigration policy.
Subchapter A—Eligibility for Federal
Benefits

SEC. 2401. ALIENS WHO ARE NOT QUALIFIED ALIENS INELIGIBLE FOR FEDERAL PUBLIC BENEFITS.

(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsection (b), an alien who is not a qualified alien (as defined in section 2431) is not eligible for any Federal public benefit (as defined in subsection (c)).

(b) Exceptions.—

(1) Subsection (a) shall not apply with respect to the following Federal public benefits:

(A) Emergency medical services under title XV or XIX of the Social Security Act.

(B) Short-term, non-cash, in-kind emergency disaster relief.

(C)(i) Public health assistance for immunizations.

(ii) Public health assistance for testing and treatment of a communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.

(D) Programs, services, or assistance (such as soup kitchens, crisis counseling and interven-
tion, and short-term shelter) specified by the Attorney General, in the Attorney General’s sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (i) deliver in-kind services at the community level, including through public or private nonprofit 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 or safety.

(E) Programs for housing or community development assistance or financial assistance administered by the Secretary of Housing and Urban Development, any program under title V of the Housing Act of 1949, or any assistance under section 306C of the Consolidated Farm and Rural Development Act, to the extent that the alien is receiving such a benefit on the date of the enactment of this Act.

(2) Subsection (a) shall not apply to any benefit payable under title II of the Social Security Act to an alien who is lawfully present in the United States as determined by the Attorney General, to any bene-
fit if nonpayment of such benefit would contravene
an international agreement described in section 233
of the Social Security Act, to any benefit if nonpay-
ment would be contrary to section 202(t) of the So-
cial Security Act, or to any benefit payable under
title II of the Social Security Act to which entitle-
ment is based on an application filed in or before the
month in which this Act becomes law.

(c) **FEDERAL PUBLIC BENEFIT DEFINED.**—

(1) Except as provided in paragraph (2), for
purposes of this chapter the term "Federal public
benefit" means—

(A) 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, health, dis-
ability, public or assisted housing, postsecond-
ary education, food assistance, unemployment
benefit, or any other similar benefit for which
payments or assistance are provided to an indi-
vidual, household, or family eligibility unit by
an agency of the United States or by appro-
priated funds of the United States.

(2) Such term shall not apply—
(A) to any contract, professional license, or commercial license for a nonimmigrant whose visa for entry is related to such employment in the United States; or

(B) with respect to benefits for an alien who as a work authorized nonimmigrant or as an alien lawfully admitted for permanent residence under the Immigration and Nationality Act qualified for such benefits and for whom the United States under reciprocal treaty agreements is required to pay benefits, as determined by the Attorney General, after consultation with the Secretary of State.

SEC. 2402. LIMITED ELIGIBILITY OF QUALIFIED ALIENS FOR CERTAIN FEDERAL PROGRAMS.

(a) Limited Eligibility for Specified Federal Programs.—

(1) In general.—Notwithstanding any other provision of law and except as provided in paragraph (2), an alien who is a qualified alien (as defined in section 2431) is not eligible for any specified Federal program (as defined in paragraph (3)).

(2) Exceptions.—
(A) **TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.**—Paragraph (1) shall not apply to an alien until 5 years after the date—

(i) an alien is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act;

(ii) an alien is granted asylum under section 208 of such Act; or

(iii) an alien's deportation is withheld under section 243(h) of such Act.

(B) **CERTAIN PERMANENT RESIDENT ALIENS.**—Paragraph (1) shall not apply to an alien who—

(i) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and

(ii)(I) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 435, and (II) did not receive any Federal means-tested public benefit (as defined in section 2403(c)) during any such quarter.
“(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 (2)(A)), in an amount not less
than the amount specified in paragraph (2)(C).

"(B) A community spouse monthly income
allowance (as defined in paragraph (3)), but
only to the extent income of the institutional-
ized spouse is made available to (or for the ben-
efit of) the community spouse.

"(C) A family allowance, for each family
member, equal to at least \( \frac{1}{3} \) of the amount by
which the amount described in paragraph
(4)(A)(i) exceeds the amount of the monthly in-
come of that family member.

"(D) Amounts for incurred expenses for
medical or remedial care for the institutional-
ized spouse as provided under paragraph (6).

In subparagraph (C), the term 'family member' only
includes minor or dependent children, dependent
parents, or dependent siblings of the institutional-
ized or community spouse who are residing with the
community spouse.

"(2) PERSONAL NEEDS ALLOWANCE.—
“(A) IN GENERAL.—The State plan must provide that, in the case of an institutionalized 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

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made under this title throughout a month,

and

“(ii) who is or are determined to be eligible for medical assistance under the State 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).

“(3) COMMUNITY SPOUSE MONTHLY INCOME ALLOWANCE DEFINED.—

“(A) IN GENERAL.—In this section (except as provided in subparagraph (B)), the community spouse monthly income allowance for a community spouse is an amount by which—

“(i) except as provided in subsection (e), the minimum monthly maintenance needs allowance (established under and in accordance with paragraph (4)) for the spouse, exceeds

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

"(B) 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.

"(4) 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 poverty line applicable to a family unit of 2 members, plus

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

A revision of the 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)).

"(5) EXCESS SHELTER ALLOWANCE DEFINED.—In paragraph (4)(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 interest), taxes and insurance and, in the case of a condominium or cooperative, required maintenance charge, for the community spouse's principal 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 utility expenses,

exceeds 30 percent of the amount described in paragraph (4)(A)(i), except that, in the case of a con-
dominium or cooperative, for which a maintenance charge is included under subparagraph (A), any allowance under subparagraph (B) shall be reduced to the extent the maintenance charge includes utility expenses.

"(6) TREATMENT OF INCURRED EXPENSES.—

With respect to the post-eligibility treatment of income under this section, there shall be disregarded reparation payments made by the Federal Republic of Germany and, 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 plan under this title, subject to reasonable limits the State may establish on the amount of these expenses.

"(e) NOTICE AND FAIR 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 fair hearing under the State plan respecting ownership or availability of income or resources, and the determination of the community spouse monthly income or resource allowance.

“(2) FAIR HEARING.—

“(A) IN GENERAL.—If either the institutionalized spouse or the community spouse is dissatisfied with a determination of—

“(i) the community spouse monthly income allowance;

“(ii) the amount of monthly income otherwise available to the community
spouse (as applied under subsection (d)(3)(Δ)(ii));

"(iii) the computation of the spousal share of resources under subsection (c)(1);

"(iv) the attribution of resources under subsection (c)(2); or

"(v) the determination of the community spouse resource allowance (as defined in subsection (f)(2));

such spouse is entitled to a fair hearing under the State plan with respect to such determination if an application for benefits under this title has been made on behalf of the institutionalized spouse. Any such hearing respecting the determination of the community spouse resource allowance shall be held within 30 days of the date of the request for the hearing.

"(B) Revision of Minimum Monthly Maintenance Needs Allowance.—If either such spouse establishes 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 mini-
mum monthly maintenance needs allowance in subsection (d)(3)(A)(i), an amount adequate to provide such additional income as is necessary.

"(C) REVISION OF COMMUNITY SPOUSE RESOURCE ALLOWANCE.—If either such spouse establishes 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 State plan to the 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 community 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 Allowance 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);
“(B) the amount of the resources otherwise available to the community spouse (determined without regard to such an allowance).

“(3) TRANSFERS UNDER COURT ORDERS.—If a court has entered an order against an institutionalized spouse for the support of the community spouse, any provisions under the plan relating to transfers or disposals of assets for less than fair market value shall not apply to amounts of resources transferred pursuant to such order for the support of the spouse or a family member (as defined in subsection (d)(1)).

“(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) INSTITUTIONALIZED SPOUSE.—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 State plan under this title if such individual was 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 such individual 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) COMMUNITY SPOUSE.—The term ‘community spouse’ means the spouse of an institutionalized spouse.

“SEC. 1506. PREVENTING FAMILY IMPOVERISHMENT.

“(a) RESPONSIBILITIES FOR LONG-TERM CARE GENERALLY.—A State plan may not—

“(1) require an adult child or any other individual (other than the applicant or recipient of services
or the spouse of such an applicant or recipient) to contribute to the cost of covered nursing facility services and other long-term care services under the plan; and

“(2) take into account with respect to such services the financial responsibility of any individual for any applicant or recipient of assistance under the plan unless such applicant or recipient is such individual’s spouse or such individual’s child who is under age 21 or (with respect to States eligible to participate in the State program established under title XVI), is blind or permanently and totally disabled, or is blind or disabled as defined in section 1614 (with respect to States which are not eligible to participate in such program).

“(b) LIMITATIONS ON LIENS.—

“(1) IN GENERAL.—No lien may be imposed against the property of any individual prior to the individual’s death on account of medical assistance paid or to be paid on the individual’s behalf under a State plan, except—

“(A) pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual; or
"(B) in the case of the real property of an individual—

"(i) who is an inpatient in a nursing facility, intermediate care facility for the mentally retarded, or other medical institution, if such individual is required, as a condition of receiving services in such institution under the plan, to spend for costs of medical care all but a minimal amount of the individual’s income required for personal needs, and

"(ii) with respect to whom the State determines, after notice and opportunity for a hearing (in accordance with procedures established by the State), that the individual cannot reasonably be expected to be discharged from the medical institution and to return home,

except as provided in paragraph (2).

"(2) EXCEPTION.—No lien may be imposed under paragraph (1)(B) on such individual’s home if—

"(A) the spouse of such individual,

"(B) such individual’s child who is under age 21, or (with respect to States eligible to
participate in the State program established under title XVI) is blind or permanently and totally disabled, or (with respect to States which are not eligible to participate in such program) is blind or disabled as defined in section 1614, or

"(C) a sibling of such individual (who has an equity interest in such home and who was residing in such individual's home for a period of at least one year immediately before the date of the individual's admission to the medical institution),
is lawfully residing in such home.

"(3) DISSOLUTION UPON RETURN HOME.—Any lien imposed with respect to an individual pursuant to paragraph (1)(B) shall dissolve upon that individual's discharge from the medical institution and return home.

"SEC. 1507. STATE FLEXIBILITY.

"(a) STATE FLEXIBILITY IN BENEFITS, PROVIDER PAYMENTS, GEOGRAPHICAL COVERAGE AREA, AND SELECTION OF PROVIDERS.—The State under its State plan may—

"(1) specify those items and services for which medical assistance is provided (consistent with guar-
providing such items and services;

"(2) specify the extent to which the same medical assistance will be provided in all geographical areas or political subdivisions of the State, so long as medical assistance is made available in all such areas or subdivisions;

"(3) specify the extent to which the medical assistance made available to any individual eligible for medical assistance is comparable in amount, duration, or scope to the medical assistance made available to any other such individual; and

"(4) specify the extent to which an 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.

"(b) 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. 1508. PRIVATE RIGHTS OF ACTION.

“(a) LIMITATION ON FEDERAL CAUSES OF ACTION.—Except as provided in this section, no person or entity may bring an action against a State in Federal court based on its failure to comply with any requirement of this title.

“(b) STATE CAUSES OF ACTION.—

“(1) ADMINISTRATIVE AND JUDICIAL PROCEEDURES.—A State plan shall provide for—

“(A) an administrative procedure whereby an individual alleging a denial of benefits under the State plan may receive a hearing regarding such denial, and

“(B) judicial review, through a private right of action in a State court by an individual or class of individuals, regarding such a denial, but a State may require exhaustion of adminis-
trative remedies before such an action may be
taken.

The administrative procedure under subparagraph
(A) shall include impartial decision makers, a fair
process, and timely decisions.

"(2) WRIT OF CERTIORARI.—An individual or
class may file a petition for certiorari before the Su-
preme Court of the United States in a case of a de-
nial of benefits under the State plan to review a de-
termination of the highest court of a State regarding
such denial.

(3) CONSTRUCTION.—Nothing in this sub-
section shall be construed as requiring a State to
provide a private right of action in State court by
a provider, health plan, or a class of providers or
health plans.

"(c) SECRETARIAL RELIEF.—

"(1) IN GENERAL.—The Secretary may bring
an action in Federal court against a State and on
behalf of an individual or class of individuals in
order to assure that a State provides benefits to in-
dividuals and classes of individuals as guaranteed
under subsection (a) or (b) of section 1501 under its
State plan.
“(2) NO PRIVATE RIGHT.—No action may be brought in any court against the Secretary based on the Secretary’s bringing, or failure to bring, an action under paragraph (1).

“(3) CONSTRUCTION.—Nothing in this title shall be construed as authorizing the Secretary to bring an action on behalf of a provider, health plan, or a class of providers or health plans.

“PART B—PAYMENTS TO STATES

“SEC. 1511. ALLOTMENT OF FUNDS AMONG STATES.

“(a) ALLOTMENTS.—

“(1) COMPUTATION.—The Secretary shall provide for the computation of State obligation and outlay allotments in accordance with this section for each fiscal year beginning with fiscal year 1997. Nothing in this part shall be construed as authorizing payment under this part to any State for fiscal year 1996.

“(2) LIMITATION ON OBLIGATIONS.—

“(A) IN GENERAL.—Subject to the succeeding provisions of this paragraph, the Secretary shall not enter into obligations with any State under this title for a fiscal year in excess of the sum of the following allotments for the State for the fiscal year:
"(i) Base obligation allotment.—The amount of the base obligation allotment for that State for the fiscal year under paragraph (4).

"(ii) Supplemental allotment for certain aliens.—The amount of any supplemental allotment for that State for the fiscal year under subsection (f).

"(iii) Supplemental per beneficiary umbrella allotment.—The amount of any supplemental per beneficiary umbrella allotment for that State for the fiscal year under subsection (g).

The sum of the base 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 base obligation authority specified in paragraph (3) for that fiscal year.

"(B) Adjustments.—

"(i) Carryover of base allotment permitted.—Subject to clauses (ii), if the amount of obligations entered into under this part with a State for quarters in a fis-
1. If the amount of outlays for expenditures described in subsection (f) for 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 (less any amount computed under clause (iii)) shall be added to the amount of the State obligation allotment otherwise provided under this section for the succeeding fiscal year.

"(ii) No carryover permitted for states receiving supplemental umbrella allotments.—Clause (i) shall not apply, insofar as it permits a carryover for a State from a particular year to the next year, if in the particular year the State receives a supplemental umbrella allotment under subsection (g).

"(iii) No carryover of alien supplemental allotment.—The amount of any carryover under clause (i) from a fiscal year shall be reduced by the amount (if any) by which the amount of the outlays for expenditures described in subsection (f) for the fiscal year is less than the amount of any supplemental allotment provided
under the respective subsection for the State and fiscal year involved.

"(C) REDUCTION FOR NEW OBLIGATIONS UNDER TITLE XIX IN FISCAL YEAR 1997.—The amount of the base obligation allotment otherwise provided under this section for fiscal year 1997 for a State shall be reduced by the amount of the obligations entered into with respect to the State under section 1903(a) during such fiscal year.

"(D) NO EFFECT ON PRIOR YEAR OBLIGATIONS.—Subparagraph (A) shall not apply to or affect obligations for a fiscal year prior to fiscal year 1997.

"(E) OBLIGATION.—For purposes of this section, the Secretary's establishment of an estimate under section 1512(b) of the amount a State is entitled to receive for a quarter (taking into account any adjustments described in such subsection) beginning during or after fiscal year 1997 shall be treated as the obligation of such amount for the State as of the first day of the quarter.

"(F) RELATION TO GUARANTEES.—The Federal Government's obligations for payments
under this title are limited as provided under subparagraph (A) and are only subject to adjustment based on any guarantee provided under section 1501 as provided under subsection (g).

"(3) AGGREGATE LIMIT ON NEW BASE OBLIGATION AUTHORITY.—

"(A) IN GENERAL.—For purposes of this subsection, subject to subparagraph (C), the 'aggregate limit on new base obligation authority', for a fiscal year, is the base 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 1997 is 0.950,

"(ii) for fiscal year 1998 is 0.986, and

"(iii) for a subsequent fiscal year is 0.998.

"(C) TRANSITIONAL ADJUSTMENT FOR PRE-FISCAL YEAR 1997-OBLIGATION OUTLAYS.—

In order to account for pre-fiscal year 1997-obligation outlays described in paragraph
(4)(C)(iv), in determining the aggregate limit on new obligation authority under subparagraph (A) for fiscal year 1997, the pool amount for such fiscal year is equal to—

“(i) the pool amount for such year,

reduced by

“(ii) $12,000,000,000.

“(4) BASE OBLIGATION ALLOTMENTS.—

“(A) GENERAL RULE FOR 50 STATES AND THE DISTRICT OF COLUMBIA.—Except as provided in this paragraph, the ‘base 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 base outlay allotment under subsection (c)(2) for such State or District (not taking into account any adjustment due to an election under subsection (c)(4)) for the fiscal year as the ratio of—

“(i) the aggregate limit on new base obligation authority (less the total of the obligation allotments under subparagraph (B)) for the fiscal year, to
"(ii) the base pool amount (less the sum of the base outlay allotments for the territories) for such fiscal year.

"(B) TERRITORIES.—The base obligation allotment for each of the Commonwealths and territories for a fiscal year is the base 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 1997.—

"(i) IN GENERAL.—The obligation amount for fiscal year 1997 for any State (including the District of Columbia, a Commonwealth, or Territory) is determined according to the formula: $A = (B - C)/D$, where—

"(I) ‘A’ is the base obligation amount for such State,

"(II) ‘B’ is the base outlay allotment of such State for fiscal year 1997, as determined under subsection (c),
“(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-FISCAL YEAR 1997-OBLIGATION OUTLAY AMOUNTS.—Not later than November 1, 1996, the Secretary shall estimate (based on the best data available) and publish in the Federal Register the amount of the pre-fiscal year 1997-obligation outlays (as defined in clause (iv)) for each State (including the District of Columbia, 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 State plan by a State under this title is deemed to constitute the State’s acceptance of the obligation allotment limitations under this subsection, including the formula for computing the amount of the
base obligation allotment and any supplemental obligation allotments.

"(iv) Pre-fiscal Year 1997-Obligation Outlays Defined.—In this subsection, the term 'pre-fiscal year 1997-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 October 1, 1996, but for which payments to States have not been made as of such date.

"(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.

"(E) Transitional Correction for Fiscal Year 1997.—

"(i) In general.—The base obligation amount for fiscal year 1998 for any
State described in clause (ii) shall be increased by the amount by which the amount described in clause (ii)(I) exceeds the amount described in clause (ii)(II), divided by the payout adjustment factor specified in paragraph (3)(B) for fiscal year 1997. The increase under this clause shall be paid to a State in the first quarter of fiscal year 1998.

"(ii) STATES DESCRIBED.—A State described in this clause is a State for which—

"(I) the amount of the pre-fiscal year 1997-obligation outlays (as established for such State under subparagraph (C)(ii)), exceeded

"(II) the outlays of the Federal Government during fiscal year 1997 that are attributable to obligations that were incurred under title XIX with respect to the State before October 1, 1996, but for which payments to States had not been made as of such date.
“(5) SEQUENCE OF OBLIGATIONS.—For purposes of carrying out this title, payments under section 1512 to a State eligible for a supplemental outlay allotment that are attributable to—

“(A) expenditures for medical assistance described in the second sentence of subsection (f)(1) or the second sentence of subsection (h)(1) shall first be counted toward the supplemental outlay allotment provided under subsection (f) or (h), respectively, rather than toward the base outlay allotment otherwise provided under this section; or

“(B) subsection (g) (relating to the umbrella fund) shall first be counted toward the allotment provided other than under such subsection, and then to such subsection.

“(b) BASE POOL OF AVAILABLE FUNDS.—

“(1) IN GENERAL.—For purposes of this section, the ‘base pool amount’ under this subsection for—

“(A) fiscal year 1996 is $96,601,037,894,

“(B) fiscal year 1997 is $103,447,755,053,

“(C) fiscal year 1998 is $108,430,173,129,

“(D) fiscal year 1999 is $113,652,562,483,
“(E) fiscal year 2000 is $119,126,480,999,
“(F) fiscal year 2001 is $124,864,043,230,
“(G) fiscal year 2002 is $130,877,947,213,
and
“(H) each subsequent fiscal year is the pool amount under this paragraph for the previous fiscal year increased by the lesser of 4.82 percent or the annual percentage increase in the gross domestic product for the 12-month period ending in June before the beginning of that subsequent fiscal year.

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

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

“(c) STATE BASE 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 base outlay allotment under this subsection for fiscal year 1996 is,
subject to paragraph (4), determined in accordance with the following table:

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<tr>
<th>State or District:</th>
<th>Outlay allotment (in dollars):</th>
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<td>Alaska</td>
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<td>484,274,254</td>
</tr>
<tr>
<td>Vermont</td>
<td>248,158,729</td>
</tr>
<tr>
<td>Virginia</td>
<td>1,144,962,509</td>
</tr>
<tr>
<td>Washington</td>
<td>1,763,460,996</td>
</tr>
<tr>
<td>West Virginia</td>
<td>1,156,813,157</td>
</tr>
</tbody>
</table>
"State or District: Wisconsin ................................................. Outlay allotment (in dollars): 1,709,500,642
Wyoming ................................................................. 132,915,390.

"(2) FOR SUBSEQUENT FISCAL YEARS.—

"(A) IN GENERAL.—Subject to the succeeding provisions of this subsection, the amount of the State base 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 such State or District for the fiscal year, and

"(ii) the adjustment factor described in subparagraph (C) for the fiscal year.

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

"(i) the State's or District's aggregate expenditure need for the fiscal year (as determined under subsection (d)), and

"(ii) the State's or District's old Federal medical assistance percentage (as defined in section 1512(d)) for the 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) ADJUSTMENT FACTOR.—The adjustment 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 base 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 a base 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 base pool amount for the fiscal year (as determined under subsection (b)), exceeds (ii) the sum of the base outlay allotments provided under paragraph (5) for the Commonwealths and Territories for the fiscal year.

"(3) FLOORS AND CEILINGS.—

"(A) FLOORS.—Subject to the ceiling established under subparagraph (B), in no case shall the amount of the State base outlay allot-
ment under paragraph (2) for a fiscal year be
less than the greatest of the following:

“(i) IN GENERAL.—Beginning with
fiscal year 1998, 0.24 percent of the pool
amount for the fiscal year.

“(ii) FLOOR BASED ON PREVIOUS
YEAR’S OUTLAY ALLOTMENT.—Subject to
clause (iii)—

“(I) for fiscal year 1997, 103.5
percent of the amount of the State
base outlay allotment under this sub-
section for fiscal year 1996,

“(II) for fiscal year 1998, 103
percent of the amount of the State
base outlay allotment under this sub-
section for fiscal year 1997,

“(III) for fiscal year 1999, 102.5
percent of the amount of the State
base outlay allotment under this sub-
section for fiscal year 1998,

“(IV) for fiscal year 2000,
102.25 percent of the amount of the
State base outlay allotment under this
subsection for fiscal year 1999, and
“(V) for each of fiscal years 2001 and 2002, 102 percent of the amount of the State base outlay allotment under this subsection for the previous fiscal year.

“(iii) 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 more than 95 percent of the national growth percentage for fiscal year 1997, 90 percent of the national growth percentage for the fiscal year involved.

“(B) Ceilings.—

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

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

"(II) the applicable percent (specified in clause (ii) or (iii)) for the fiscal year involved.

"(ii) GENERAL RULE FOR APPLICABLE PERCENT.—For purposes of clause (i), subject to clause (iii), the 'applicable percent' for fiscal year 1997 is 126.98 percent and for a subsequent fiscal year is 133 percent of the national growth percentage for the fiscal year.

"(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 spending per resident-in-poverty rates (as determined under clause (iv)) for the fiscal year, the 'applicable percent' is 150 percent of the national growth percentage for the fiscal year.

"(iv) DETERMINATION OF FEDERAL SPENDING PER RESIDENT-IN-POVERTY RATE.—For purposes of clause (iii), the
'Federal 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.

"(C) SPECIAL RULE.—

"(i) IN GENERAL.—Notwithstanding the preceding subparagraphs of this paragraph, the State base outlay allotment for—

"(I) Louisiana, subject to sub-clause (II), for each of the fiscal years 1997 through 2000, is $2,622,000,000,

"(II) Louisiana for fiscal year 1997 only, as otherwise determined, shall be increased by $37,048,207, and
“(III) Nevada for each of fiscal years 1997, 1998, and 1999, as otherwise determined, shall be increased by $90,000,000.

“(ii) EXCEPTION.—A State described in subclause (I) of clause (i) may apply to the Secretary for use of the State base outlay allotment otherwise determined under this subsection for any fiscal year, if such State notifies the Secretary not later than March 1 preceding such fiscal year that such State will be able to expend sufficient State funds in such fiscal year to qualify for such allotment.

“(iii) TREATMENT OF INCREASE AS SUPPLEMENTAL ALLOTMENT.—Any increase in an outlay allotment under clause (i)(II) or (i)(III) shall not be taken into account for purposes of determining—

“(I) the adjustment factor under paragraph (2) for fiscal year 1997,

“(II) any State base outlay allotment for a fiscal year after fiscal year 1997,
“(III) the base pool amount for a fiscal year after fiscal year 1997, or
“(IV) determination of the national growth percentage for any 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, 1997) to adopt an alternative growth rate formula under this paragraph for the determination of the State’s base outlay allotment in fiscal year 1997 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 formula under which a portion of the State base outlay allotment for fiscal year 1997 under paragraph (1) is deferred and applied to increase the amount of its base 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 base outlay allotment deferred from fiscal year 1997.

"(5) COMMONWEALTHS AND TERRITORIES.—

"(A) IN GENERAL.—The base 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) (as in effect on the day before the date of the enactment of this title) with respect to the Commonwealth or Territory for the fiscal year with respect to title XIX, if the national 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) (as so in effect).

"(B) DISREGARD OF ROUNDING REQUIREMENTS.—For purposes of subparagraph (A), the rounding requirements under section 1108(c) shall not apply.

"(C) LIMITATION ON TOTAL AMOUNT FOR FISCAL YEAR 1996.—Notwithstanding the provisions of subparagraph (A), the total amount of the base outlay allotments for the Common-
wealths and Territories for fiscal year 1996 may not exceed $139,950,000.

"(d) STATE AGGREGATE EXPENDITURE NEED DETERMINED.—

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

"(A) PROGRAM NEED.—The program need for the State for the fiscal year, as determined under paragraph (2).

"(B) HEALTH CARE COST INDEX.—The health care cost index for the State (as determined under paragraph (3)) for the most recent fiscal year for which data are available.

"(C) PROJECTED INFLATION.—The CPI increase factor for the fiscal year (as defined in subsection (g)(4)(C)).

"(D) NATIONAL AVERAGE SPENDING PER RESIDENT IN POVERTY.—The national average spending per resident in poverty (as determined under paragraph (4)).

"(2) PROGRAM NEED.—

"(A) IN GENERAL.—In this subsection and subject to subparagraph (D), the 'program
need' of a State for a fiscal year is equal to the sum, for each of the population groups described in subparagraph (B), of the product described in subparagraph (C) for that population group.

“(B) POPULATION GROUPS DESCRIBED.—

The population groups described in this subparagraph are as follows:

“(i) INDIVIDUALS BETWEEN 60 AND 85.—Individuals who are least 60, but less than 85, years of age.

“(ii) INDIVIDUALS 85 OR OLDER.—Individuals who are 85 years of age or older.

“(iii) DISABLED INDIVIDUALS.—Individuals who are eligible for medical assistance because such individuals are blind or disabled and are not described in clause (i) or (ii).

“(iv) CHILDREN.—Individuals described in subsection (g)(2)(B).

“(v) OTHER INDIVIDUALS.—Individuals not described in a previous clause of this subparagraph.

“(C) PRODUCT DESCRIBED.—The product described in this subparagraph, with respect to
a population group for a fiscal year for a State (or District), is the product of the following 2 factors for that group, year, and State (or District):

"(i) Weighting factor reflecting relative need for the group.—For all States, the national average per recipient expenditures under this title in the 50 States and the District of Columbia for individuals in such group, as determined under subparagraph (E), divided by the national average of such averages for all such groups (weighted by the number of recipients in each group).

"(ii) Number of needy in group.—The product of—

"(I) for all groups, the average annual number of residents in poverty in such State or District (based on data made generally available by the Bureau of the Census from the Current Population Survey) for the most recent 3-calendar-year period (ending before the fiscal year) for which such data are available; and
“(II) the proportion, of all individuals who received medical assistance under this title in such State or District, that were individuals in such group.

In clause (ii)(II), the term ‘resident in poverty’ means an individual 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).

“(D) FLOORS AND CEILINGS ON PROGRAM NEED.—

“(i) IN GENERAL.—In no case shall the value of the program need for a State for a fiscal year be less than 90 percent, or be more than 115 percent, of the program need based on national averages (determined under clause (ii)) for that State for the fiscal year.

“(ii) PROGRAM NEED BASED ON NATIONAL AVERAGES.—For purposes of clause (i), the ‘program need based on national average’ for a fiscal year is equal to
the sum of the product (for each of the population groups) of the following 3 factors (for that group, year, and State or District):

“(I) WEIGHTING FACTOR FOR GROUP.—The weighting factor for the group (described in subparagraph (C)(i)).

“(II) TOTAL NUMBER OF NEEDY IN STATE.—For all groups, the average annual number of residents in poverty in such State or District (as defined in subparagraph (C)(ii)(I)).

“(III) NATIONAL PROPORTION OF NEEDY IN GROUP.—The proportion, of all individuals who received medical assistance under this title in all of the States and the District in all such groups, that were individuals in such group.

“(E) DETERMINATION OF NATIONAL AVERAGES AND PROPORTIONS.—The national averages per recipient and the proportions referred to in subparagraph (C)(ii) and (C)(iii),
respectively, shall be determined by the Secretary using the most recent data available.

"(F) EXPENDITURE DEFINED.—For purposes of this paragraph, the term ‘expenditure’ means medical vendor payments by basis of eligibility as reported by HCFA Form 2082.

"(3) HEALTH CARE COST INDEX.—

"(A) IN GENERAL.—In this section, the ‘health care cost index’ for a State or the District of Columbia 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 such State or District 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 or the District of Columbia and, collectively, in the 50 States and the District of Columbia for a fiscal year based on the area wage data applicable to hospitals under section 1886(d)(2)(E) (or, if such data no longer exists, comparable data of hospital wages) for discharges occurring during the fiscal year involved.

"(4) 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 by which (I) the base pool amount for fiscal year 1997, exceeds (II) $83,213,431,458 (which represents Federal medicaid expenditures for such States and District for fiscal year 1994); divided by
“(ii) the sum of the number of residents in poverty (as defined in paragraph (2)(C)(ii)(I)) for all of the 50 States and the District of Columbia for fiscal year 1994; and

“(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 growth percentage (as defined in subsection (b)(2)) for the fiscal year involved.

“(e) Publication of Obligation and Outlay Al- lotments.—

“(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 base obligation allotment, base outlay allotment, and supplemental allotments under subsections (f) and (h) 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 account 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,
come, resource, and eligibility standards (as defined in paragraph (6)(C)) in the State.

"(2) GUARANTEED BENEFITS PACKAGE.—

"(A) IN GENERAL.—In this title, the term 'guaranteed benefit package' means benefits (in an amount, duration, and scope specified under the State plan) for at least the following categories of services:

"(i) Inpatient and outpatient hospital services.

"(ii) Physicians' surgical and medical services.

"(iii) Laboratory and x-ray services.

"(iv) Nursing facility services.

"(v) Home health care.

"(vi) Federally-qualified health center services and rural health clinic services.

"(vii) Immunizations for children (in accordance with a schedule for immunizations established by the Health Department of the State in consultation with the State agency responsible for the administration of the plan).
“(viii) Prepregnancy family planning services and supplies (as specified by the State).

“(ix) Prenatal care.

“(x) Physician assistant services (to the extent such services are authorized under State law or regulation), pediatric and family nurse practitioner services and nurse midwife services.

“(xi) EPSDT services (as defined in section 1571(e)) for individuals who are under the age of 21.

“(B) AMOUNT, DURATION, AND SCOPE.—

“(i) IN GENERAL.—The amount, duration, and scope of benefits specified under the State plan must be sufficient to reasonably achieve the purpose of the benefit. A State may establish criteria, including medical necessity, utilization review, and cost effectiveness of alternative covered services, for purposes of limiting the amount, duration, and scope of benefits provided under the State plan.

“(ii) EPSDT SERVICES.—The amount, duration, and scope of EPSDT services for
individuals who are under the age of 21 may not be less than the amount, duration, and scope of such services provided under the State plan under title XIX (as in effect on June 1, 1996).

“(3) State election of disabled individuals to be guaranteed coverage.—

“(A) In general.—Each State shall specify in its State plan, before the beginning of each Federal fiscal year, whether to guarantee coverage of disabled individuals under the plan under the option described in paragraph (1)(D)(i) or under the option described in paragraph (1)(D)(ii). An election under this paragraph shall continue in effect for the subsequent fiscal year unless the election is changed before the beginning of the fiscal year.

“(B) Consequences of election.—

“(i) State flexible definition option.—If a State elects the option described in paragraph (1)(D)(i) for a fiscal year—

“(I) the State plan must provide under section 1502(c) for a set aside
of funds for disabled individuals for
the fiscal year, and

"(II) disabled individuals are not
taken into account in determining a
State supplemental umbrella allotment
under section 1511(g).

"(ii) SSI DEFINITION OPTION.—If a
State elects the option described in para-
graph (1)(D)(ii) for a fiscal year—

"(I) section 1502(c) shall not
apply for the fiscal year, and

"(II) the State is eligible for an
increase under section 1511(g) in its
outlay allotment for the fiscal year
based on an increase in the number of
guaranteed and optional disabled indi-
viduals covered under the plan.

"(4) CONTINUATION OF SPECIAL ELIGIBILITY
STANDARDS FOR SECTION 209(b) STATES.—

"(A) IN GENERAL.—A section 209(b)
State (as defined in subparagraph (B)) may
elect to treat any reference in paragraph (1)(E)
to 'elderly individuals who meet the income and
resource standards for the payment of supple-
mental security income benefits under title
VI' as a reference to 'elderly individuals who meet the standards described in the first sentence of section 1902(f) (as in effect on the day before the date of the enactment of this title').

"(B) SECTION 209(b) STATE DEFINED.—In subparagraph (A), the term 'section 209(b) State' means a State to which section 1902(f) applied as of the day before the date of the enactment of this title.

"(5) OPTION FOR APPLICATION OF CURRENT REQUIREMENTS FOR CERTAIN CHILDREN.—A State may elect to apply paragraph (1)(F) by treating any reference to 'requirements for receipt of foster care maintenance payments or adoption assistance under title IV' as a reference to 'requirements for receipt of foster care maintenance payments or adoption assistance as in effect under its State plan under part E of title IV as of the date of the enactment of this title'.

"(6) SPECIAL RULES FOR LOW-INCOME FAMILIES.—

"(A) OPTIONAL USE OF LOWER NATIONAL AVERAGE STANDARDS.—In the case of a State in which the current AFDC income, resource, and eligibility standards are above the national
average of the current AFDC income, resource, and eligibility standards for the 50 States and the District of Columbia, as determined and published by the Secretary, in applying paragraph (1)(G), the State may elect to substitute such national average income, resource, and eligibility standards for the current AFDC income, resource, and eligibility standards in that State.

"(B) OPTIONAL ELIGIBILITY BASED ON LINK TO OTHER ASSISTANCE.—

"(i) IN GENERAL.—Subject to clause (ii), in the case of a State which maintains a link between eligibility for aid or assistance under one or more parts of title IV and eligibility for medical assistance under this title, in applying paragraph (1)(G), the State may elect to treat any reference in such paragraph to "individuals and members of families who meet current AFDC income, resource, and eligibility standards in the State" as a reference to "members of families who are receiving assistance under a State plan under part A or E of title IV".
“(ii) LIMITATION ON ELECTION.—A State may only make the election described in clause (i) if, and so long as, the State demonstrates to the satisfaction of the Secretary that the such election does not result in Federal expenditures under this title (taking into account any supplemental amounts provided pursuant to section 1511(g)) that are greater than the Federal expenditures that would have been made under this title if the State had not made such election.

“(C) CURRENT AFDC INCOME, RESOURCE, AND ELIGIBILITY STANDARDS DEFINED.—In this subsection, the term ‘current AFDC income, resource, and eligibility standards’ means, with respect to a State, the income, resource, and eligibility standards for the payment of assistance under the State plan under part A or E of title IV (as in effect as of May 1, 1996).

“(D) MEDICAL ASSISTANCE REQUIRED TO BE PROVIDED FOR 1 YEAR FOR CERTAIN LOW-INCOME FAMILIES DURING THE TRANSITION FROM WELFARE TO WORK.—Each State plan
shall provide that medical assistance under this title for a family described in section 408(a)(12) of this Act shall be provided to such family in accordance with such section.

"(E) STATE OPTION TO CONTINUE TO PROVIDE MEDICAL ASSISTANCE DURING THE TRANSITION FROM WELFARE TO WORK.—Nothing in this title shall be construed as preventing a State from continuing to provide medical assistance under a State plan under this title to an individual or a member of such individual’s family who—

"(i) is eligible for medical assistance under this title as a result of a link between eligibility for such medical assistance and aid or assistance under one or more parts of title IV or any other program of assistance based on need; and

"(ii) because of hours of, or income from, employment is no longer eligible for such aid or assistance.

"(7) METHODOLOGY.—Family income shall be determined for purposes of subparagraphs (A) through (C) of paragraph (1) in the same manner (and using the same methodology) as income was
determined under the State medicaid plan under section 1902(l) (as in effect as of May 1, 1996).

"(b) GUARANTEED COVERAGE OF MEDICARE PREMIUMS AND COST-SHARING FOR CERTAIN MEDICARE BENEFICIARIES.—

"(1) GUARANTEED ELIGIBILITY.—Each State plan shall provide—

"(A) for making medical assistance available for required medicare cost-sharing (as defined in paragraph (2)) for qualified medicare beneficiaries described in paragraph (3);

"(B) for making medical assistance available for payment of medicare premiums under section 1818A for qualified disabled and working individuals described in paragraph (4); and

"(C) for making medical assistance available for payment of medicare premiums under section 1839 for individuals who would be qualified medicare beneficiaries described in paragraph (3) but for the fact that their income exceeds 100 percent, but is less than 120 percent, of the poverty line for a family of the size involved.

"(2) REQUIRED MEDICARE COST-SHARING DEFINED.—
“(A) IN GENERAL.—In this subsection, the term 'required medicare cost-sharing' means, with respect to an individual, costs incurred for medicare cost-sharing described in paragraphs (1) through (4) of section 1571(c) (and, at the option of a State, section 1571(c)(5))) without regard to whether the costs incurred were for items and services for which medical assistance is otherwise available under the plan.

“(B) LIMITATION ON OBLIGATION FOR CERTAIN COST-SHARING ASSISTANCE.—In the case of medical assistance furnished under this title for medicare cost-sharing described in paragraph (2), (3), or (4) of section 1571(c) relating to the furnishing of a service or item to a medicare beneficiary, nothing in this title shall be construed as preventing a State plan—

“(i) from limiting the assistance to the amount (if any) by which (I) the amount that is otherwise payable under the plan for the item or service for eligible individuals who are not such medicare beneficiaries (or, if payments for such items or services are made on a capitated basis, an amount reasonably related or de-
derived from such capitated payment amount), exceeds (II) the amount of payment (if any) made under title XVIII with respect to the service or item, and

"(ii) if the amount described in subclause (II) of clause (i) exceeds the amount described in subclause (I) of such clause, from treating the amount paid under title XVIII as payment in full and not requiring or providing for any additional medical assistance under this subsection.

"(3) QUALIFIED MEDICARE BENEFICIARY DEFINED.—In this subsection, the term 'qualified medicare beneficiary' means an individual—

"(A) who is entitled to hospital insurance benefits under part A of title XVIII (including an individual entitled to such benefits pursuant to an enrollment under section 1818, but not including an individual entitled to such benefits only pursuant to an enrollment under section 1818A),

"(B) whose income (as determined under section 1612 for purposes of the supplemental security income program, except as provided in paragraph (5)) does not exceed 100 percent of
the poverty line applicable to a family of the
size involved, and

"(C) whose resources (as determined under
section 1613 for purposes of the supplemental
security income program) do not exceed twice
the maximum amount of resources that an indi-
vidual may have and obtain benefits under that
program.

"(4) QUALIFIED DISABLED AND WORKING INDIVIDUAL DEFINED.—In this subsection, the term
'qualified disabled and working individual' means an
individual—

"(A) who is entitled to enroll for hospital
insurance benefits under part A of title XVIII
under section 1818A;

"(B) whose income (as determined under
section 1612 for purposes of the supplemental
security income program) does not exceed 200
percent of the poverty line applicable to a fam-
ily of the size involved;

"(C) whose resources (as determined under
section 1613 for purposes of the supplemental
security income program) do not exceed twice
the maximum amount of resources that an indi-
vidual or a couple (in the case of an individual
with a spouse) may have and obtain benefits for
supplemental security income benefits under
title XVI; and

"(D) who is not otherwise eligible for med-
ical assistance under this title.

"(5) INCOME DETERMINATIONS.—

"(A) IN GENERAL.—In determining under
this subsection the income of an individual who
is entitled to monthly insurance benefits under
title II for a transition month (as defined in
subparagraph (B)) in a year, such income shall
not include any amounts attributable to an in-
crease in the level of monthly insurance benefits
payable under such title which have occurred
pursuant to section 215(i) for benefits payable
for months beginning with December of the
previous year.

"(B) TRANSITION MONTH DEFINED.—For
purposes of subparagraph (A), the term 'transi-
tion month' means each month in a year
through the month following the month in
which the annual revision of the poverty line is
published.
"SEC. 1502. OTHER PROVISIONS RELATING TO ELIGIBILITY AND BENEFITS.

(a) Optional Eligibility Groups for Which Umbrella Supplemental Funding Is Available.—In addition to the guaranteed coverage categories described in section 1501(a)(1), the following are population groups with respect to which supplemental allotments may be made under section 1511(g), but only if (for the individual involved) medical assistance is made available under the State plan for the guaranteed benefit package (as defined in section 1501(a)(2)):

(1) Certain disabled individuals.—Individuals (not described in section 1501(a)(1)(D)(ii)) who are disabled (as determined under section 1614(a)(3)), covered under the State plan, and meet the eligibility standards for coverage under the State medicaid plan under title XIX (as in effect as of May 1, 1996).

(2) Certain elderly individuals.—Elderly individuals (not described in section 1501(a)(1)(E)) who are covered under the State plan and who meet the eligibility standards for coverage under the State medicaid plan under title XIX (as in effect as of May 1, 1996) other than solely on the basis of being an individual described in section 1902(a)(10)(E).
Eligibility under paragraphs (1) and (2) shall be determined using the methodologies that are not more restrictive than the methodologies used under the State medicaid plan as in effect as of May 1, 1996.

"(b) OTHER PROVISIONS RELATING TO GENERAL ELIGIBILITY AND BENEFITS.—

"(1) GENERAL DESCRIPTION.—Each State plan shall include a description (consistent with this title) of the following:

"(A) GENERAL ELIGIBILITY GUIDELINES.—The general eligibility guidelines of the plan for eligible low-income individuals, including—

"(i) for individuals other than those covered under subsection (a) or (b) of section 1501, any limitations as to the duration of eligibility,

"(ii) any eligibility standards relating to age, income and resources (including any standards relating to spenddowns and disposition of resources), residency, disability status, immigration status, or employment status of individuals,

"(iii) methods of establishing and continuing eligibility and enrollment, including
the methodology for computing family income,

"(iv) 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

"(v) for individuals other than those covered under subsection (a) or (b) of section 1501, any other standards relating to eligibility for medical assistance under the plan.

"(B) 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. The amount, duration, and scope of benefits specified shall comport with requirements of section 1501(a)(2)(B)(i).

"(C) Delivery method.—The State's approach to delivery of medical assistance, including a general description of—
“(i) 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

“(ii) utilization control systems.

“(D) FEE-FOR-SERVICE BENEFITS.—To the extent that medical assistance is furnished on a fee-for-service basis—

“(i) how the State determines the qualifications of health care providers eligible to provide such assistance; and

“(ii) how the State determines rates of reimbursement for providing such assistance.

“(E) 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 who are children and the spouses of recipients.

“(F) UTILIZATION INCENTIVES.—Incentives or requirements (if any) to encourage the appropriate utilization of services.
“(G) SUPPORT FOR CERTAIN HOSPITALS.—

“(i) IN GENERAL.—With respect to hospitals described in clause (ii) located in the State, a description of the extent to which provisions are made for expenditures for items and services furnished by such hospitals and covered under the State plan.

“(ii) HOSPITALS DESCRIBED.—A hospital described in this clause is a short-term acute care general hospital or a children’s hospital, the low-income utilization rate of which exceeds the lesser of—

“(I) 1 standard deviation above the mean low-income utilization rate for hospitals receiving payments under a State plan in the State in which such hospital is located, or

“(II) 1\(\frac{1}{4}\) standard deviations above the mean low-income utilization rate for hospitals receiving such payments in the 50 States and the District of Columbia.

“(iii) LOW-INCOME UTILIZATION RATE.—For purposes of clause (ii), the
term 'low-income utilization rate' means, for a hospital, a fraction (expressed as a percentage), the numerator of which is the hospital's number of patient days attributable to patients who (for such days) were eligible for medical assistance under a State plan or were uninsured in a period, and the denominator of which is the total number of the hospital's patient days in that period.

"(iv) PATIENT DAYS.—For purposes of clause (iii), the term 'patient day' includes each day in which—

"(I) an individual, including a newborn, is an inpatient in the hospital, whether or not the individual is in a specialized ward and whether or not the individual remains in the hospital for lack of suitable placement elsewhere; or

"(II) an individual makes one or more outpatient visits to the hospital.

"(H) IMPLEMENTATION OF SET ASIDES FOR RURAL HEALTH CLINICS AND FEDERALLY-QUALIFIED HEALTH CENTERS AND UTILIZA-
TION OF SERVICES.—How the State will implement the funding requirements imposed under subsection (e) and how the State will utilize facilities described in such subsection to provide services under the State plan.

“(2) CONDITIONS FOR GUARANTEES AND RELATION OF GUARANTEES TO FINANCING.—The guarantees of States required under subsection (a) and (b) of section 1501 and subsection (d) of this section are subject to the limitations on payment to the States provided under section 1511 (including the provisions of subsection (g), relating to supplemental umbrella allotments). In submitting a plan under this title, a State voluntarily agrees to accept payment amounts provided under such section as full payment from the Federal Government in return for providing for the benefits (including the guaranteed benefit package) under this title.

“(3) SECONDARY PAYMENT.—Nothing in this section shall be construed as preventing a State from denying benefits to an individual to the extent such benefits are available to the individual under the medicare program under title XVIII or under another public or private health care insurance program.
“(4) Residency Requirement.—In the case of an individual who—

“(A) is described in section 1501(a)(1),
“(B) changed residence from another State to the State, and
“(C) has resided in the State for less than 180 days,

the State may limit the benefits provided to such individual in the guaranteed benefits package under paragraph (2) of section 1501(a) to the amount, duration, and scope of benefits available under the State plan of the individual’s previous State of residence.

“(5) Access to Services.—

“(A) Primary Care Services.—The State plan shall contain provisions which ensure that an eligible low-income individual has access to primary care services within 30 miles of such individual’s residence, or, in the case of an eligible low-income individual residing in a rural area, within a reasonable distance of such individual’s residence, as determined by the Secretary.

“(B) Nursing Facilities.—The State plan shall contain provisions which ensure that
an eligible low-income individual has access to
nursing facility services within 50 miles of such
individual's residence, or, in the case of an eligi-
ble low-income individual residing in a rural
area, within a reasonable distance of such indi-
vidual's residence, as determined by the Sec-
retary.

"(6) SERVICES FOR INDIVIDUALS WITH DEVELO-
PMENTAL DISABILITIES.—The State plan shall con-
tain provisions which ensure—

"(A) compliance with the minimum health,
safety, and welfare standards for individuals
with developmental disabilities who receive serv-
ices in an intermediate care facility for the
mentally retarded, home and community-based
health care services and related supportive serv-
ices, community supported living arrangements,
and transitional living arrangements established
under section 1558(e)(2); and

"(B) that treatment services provided for
each such individual are based on an individual-
ized plan which includes a goal to maintain, en-
hance, or support, or prevent or minimize the
deterioration of skills to maximize the potential
and independence of the individual.
“(c) SET-ASIDE OF FUNDS FOR THE LOW-INCOME DISABLED.—

“(1) IN GENERAL.—In the case of a State that has elected the option described in section 1501(a)(1)(D)(i) for a fiscal year, the State plan shall provide that the percentage of funds expended under the plan for medical assistance for eligible low-income individuals who are not elderly individuals and who are eligible for such assistance on the basis of a disability, including being blind, for the 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 90 percent of the percentage of the expenditures under title XIX for medical assistance in the State during Federal fiscal year 1995 which was attributable to expenditures for medical assistance for benefits furnished to individuals whose coverage (at such time) was on a basis directly related to disability status, including being blind.
“(3) COMPUTATIONS.—States shall calculate the minimum percentage under paragraph (2) in a reasonable manner consistent with reports submitted to the Secretary for the fiscal years involved and medical assistance attributable to the exception provided under section 1903(v)(2) shall not be considered to be expenditures for medical assistance.

“(d) PREEXISTING CONDITION EXCLUSIONS.—Notwithstanding any other provision of this title—

“(1) a State plan may not deny or exclude coverage of any item or service for an eligible individual for benefits under the State 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 State 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 State plan, for such coverage (through direct payment or otherwise) for any such covered item or
service denied or excluded on the basis of a preexisting condition.

"(e) SET ASIDE OF FUNDS FOR SERVICES PROVIDED AT FEDERALLY-QUALIFIED HEALTH CENTERS AND RURAL HEALTH CLINICS.—

"(1) RURAL HEALTH CLINIC SERVICES.—A State plan shall provide that the amount of funds expended under the plan for medical assistance for services provided at rural health clinics (as defined in section 1571(f)(1)), for eligible low-income individuals for a fiscal year is not less than 95 percent of the rural health clinic base year expenditures (as defined in paragraph (3)(A)), increased annually by the State percentage growth factor (as defined in section 1511(g)(3)(C)).

"(2) FEDERALLY-QUALIFIED HEALTH CENTER SERVICES.—A State plan shall provide that the amount of funds expended under the plan for medical assistance for services provided at federally-qualified health centers (as defined in section 1571(f)(2)(B)), for eligible low-income individuals for a fiscal year is not less than 95 percent of the federally-qualified health center base year expenditures (as defined in paragraph (3)(B)), increased
annually by the State percentage growth factor (as defined in section 1511(g)(3)(C)).

“(3) Base year expenditures defined.—

“(A) Rural health clinic base year expenditures.—For purposes of paragraph (1), the term ‘rural health clinic base year expenditures’ means, with respect to a State, the annual expenditures under title XIX for medical assistance in the State which were attributable to expenditures for medical assistance for services provided at rural health clinics (as defined in section 1571(f)(1)) located in the State, during Federal fiscal year 1995 or 1996, whichever is greater.

“(B) Federally-qualified health center base year expenditures.—For purposes of paragraph (2), the term ‘federally-qualified health center base year expenditures’ means, with respect to a State, the annual expenditures under title XIX for medical assistance in the State which were attributable to expenditures for medical assistance for services provided at federally-qualified health centers (as defined in section 1571(f)(2)(B)) located in the State.
State, during Federal fiscal year 1995 or 1996, whichever is greater.

"(C) NOTICE.—For each fiscal year, the Secretary shall provide each State with notice of the amount of funds required under this subsection to be expended during such fiscal year for medical assistance for services provided at rural health clinics and federally-qualified health centers located in the State.

"(4) No waiver.—No waiver of the requirements of this subsection may be granted under this title, section 1115 of this Act, or any other provision of law.

"(f) Parity for mental health services.—

"(1) In general.—A State plan may not impose treatment limits or financial requirements on mental illness services which are not imposed on services for other illnesses or diseases. The plan may require pre-admission screening, prior authorization of services, or other mechanisms limiting coverage of mental illness services to services that are medically necessary.

"(2) Construction.—Except as provided in section 1508, no person or entity may bring an ac-
tion against a State based on its failure to comply with the requirements of paragraph (1).

"SEC. 1503. LIMITATIONS ON COST-SHARING."

"(a) GUARANTEED POPULATION.—The State plan may not impose any cost-sharing with respect to any benefit provided to an individual described in section 1501(a), or with respect to any required medicare cost-sharing provided for an individual described in subsection (b) of such section, except to the extent such cost-sharing could have been imposed against such an individual for such benefit, or such required medicare cost-sharing, under the State plan under title XIX, or under a waiver of the requirements of such plan granted to any State (as such plan (or waiver) is in effect on the date of the enactment of the Medicaid Restructuring Act of 1996).

"(b) OPTIONAL POPULATION.—

"(1) BENEFITS DESCRIBED IN THE GUARANTEED BENEFIT PACKAGE.—The State plan may impose cost-sharing with respect to any benefit described in the guaranteed benefit package in section 1501(a)(2) provided to an eligible low-income individual who is not described in subsection (a) or (b) of section 1501, but only to the extent such cost-sharing could have been imposed against such an individual for such benefit under the State plan under
title XIX, or under a waiver of the requirements of such plan granted to any State (as such plan (or waiver) is in effect on the date of the enactment of the Medicaid Restructuring Act of 1996).

"(2) OTHER BENEFITS.—The State plan may impose cost-sharing with respect to any benefit not described in the guaranteed benefit package described in section 1501(a)(2) provided to an eligible low-income individual who is not described in subsection (a) or (b) of section 1501. Such cost-sharing may be imposed in a manner that reflects such economic factors, employment status, and family size with respect to each such individual as the State determines appropriate.

"(c) CERTAIN COST-SHARING PERMITTED.—Nothing in this section shall be construed as preventing a State plan (consistent with subsections (a) and (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 primary and preventive care and discourage unnecessary or less economical care,
“(3) from scaling cost-sharing in a manner that reflects economic factors, employment status, and family size, or
“(4) from scaling cost-sharing based on the availability to the individual or family of other health insurance coverage.
“(d) PROHIBITION ON BALANCE BILLING.—An individual eligible for benefits for items and services under the State plan who is furnished such an items or service by a provider under the plan may not be billed by the provider for such item or service, other than such amount of cost-sharing as is permitted with this section.
“(e) NO DENIAL OF SERVICES DUE TO AN INABILITY TO PAY COST-SHARING.—
“(1) IN GENERAL.—No provider of items or services under the State plan may refuse to provide such items or services to an individual eligible for such items or services based on the individual’s inability to pay a cost-sharing charge.
“(2) INDIVIDUAL REMAINS LIABLE.—An individual who is subject to a cost-sharing charge for an item or service under this section and who receives such item or service despite such individual’s inability to pay such charge, shall remain liable for such charge.
“(f) PUBLIC NOTICE.—If any charges are imposed under the State plan for cost-sharing, such cost-sharing shall be pursuant to a public cost-sharing schedule.

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

"SEC. 1504. REQUIREMENTS RELATING TO MEDICAL ASSISTANCE PROVIDED THROUGH MANAGED CARE ARRANGEMENTS.

“(a) SOLVENCY STANDARDS FOR CAPITATED HEALTH CARE ORGANIZATIONS.—

“(1) IN GENERAL.—A State may not contract with a capitated health care organization, as defined in subsection (e)(1), for the provision of medical assistance under a State plan under which the organization is—

“(A) at full financial risk, as defined by the State, unless the organization meets solvency standards established by the State for private health maintenance organizations or is described in paragraph (4) and meets other solvency standards established by the State, so long as such standards are adequate to protect against the risk of insolvency, or
“(B) is not at such risk, unless the organization meets solvency standards that are established under the State plan.

“(2) TREATMENT OF PUBLIC ENTITIES.—Paragraph (1) shall not apply to an organization that is a public entity or if the solvency of such organization is guaranteed by the State.

“(3) TRANSITION.—In the case of a capitated health care organization that as of the date of the enactment of this title has entered into a contract with a State for the provision of medical assistance under title XIX under which the organization assumes full financial risk and is receiving capitation payments, paragraph (1) shall not apply to such organization until 3 years after the date of the enactment of this title.

“(4) ORGANIZATION DESCRIBED.—An organization described in this paragraph is a capitated health care organization which is (or is controlled by) one or more Federally-qualified health centers or rural health clinics. For purposes of this paragraph, the term ‘control’ means the possession, whether direct or indirect, of the power to direct or cause the direction of the management and policies of a capitated health care organization through membership, board
representation, or an ownership interest equal to or
greater than 50.1 percent.

"(b) DESCRIPTION OF PROCESS FOR DEVELOPING
CAPITATION PAYMENT RATES.—

"(1) IN GENERAL.—If a State contracts (or in-
tends to contract) with a capitated health care orga-
nization (as defined in subsection (e)(1)) under
which the State makes a capitation payment (as de-
defined in subsection (e)(2)) to the organization for
providing or arranging for the provision of medical
assistance under the State plan for a group of serv-
ices, including at least inpatient hospital services
and physicians’ services, the plan shall include a de-
scription of the following:

"(A) USE OF ACTUARIAL SCIENCE.—The extent and manner in which the State uses ac-
tuarial science—

"(i) to analyze and project health care
expenditures and utilization for individuals
enrolled (or to be enrolled) in such an or-
ganization under the State plan; and

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

"(C) Dissemination Process.—The process used by the State under paragraph (2) 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 subparagraph (A)(i).

"(2) Public Notice and Comment.—Under the State plan the State shall provide a process for providing, before the beginning of each contract year—

"(A) public notice of—

"(i) the amounts of the capitation payments (if any) made under the plan for the contract year preceding the public notice, and
“(ii)(I) the information described under paragraph (1)(A) with respect to capitation payments for the contract year involved, or (II) 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

“(B) an opportunity for receiving public comment on the amounts and information for which notice is provided under subparagraph (A).

“(c) QUALITY ASSURANCE STANDARDS.—

“(1) CHOICE OF PROVIDER.—If a State requires an individual eligible for medical assistance under the State plan under this title to enroll with a capitated health care organization or with a primary care case management provider as a condition of receiving such assistance, the State shall permit such individual to choose a provider of such assistance—

“(A) from among not less than 2 capitated health care organizations; or
“(B) from either a capitated health care organization or a primary care case management provider.

“(2) NO REQUIRED ENROLLMENT FOR SPECIAL NEEDS INDIVIDUALS.—

“(A) IN GENERAL.—A State may not require an individual who is a special needs individual (as described in subparagraph (B)) to enroll with a capitated health care organization as a condition of receiving medical assistance under the State plan under this title.

“(B) SPECIAL NEEDS INDIVIDUALS DESCRIBED.—In this paragraph, a ‘special needs individual’ means any of the following:

“(i) SPECIAL NEEDS CHILD.—An individual who is under 19 years of age who—

“(I) is eligible for supplemental security income under title XVI;

“(II) is described under section 501(a)(1)(D);

“(III) is a child described in section 1571(b)(1)(B); or

“(IV) is in foster care or is otherwise in an out-of-home placement.
“(ii) HOMELESS INDIVIDUALS.—An individual who is homeless (without regard to whether the individual is a member of a family), including—

“(I) an individual whose primary residence during the night is a supervised public or private facility that provides temporary living accommodations; or

“(II) an individual who is a resident in transitional housing.

“(iii) MIGRANT AGRICULTURAL WORKERS.—A migratory agricultural worker or a seasonal agricultural worker (as such terms are defined in section 329 of the Public Health Service Act), or the spouse or dependent of such a worker.

“(3) DEFAULT ENROLLMENT.—

“(A) ESTABLISHMENT OF PROCESS.—A State may establish a default enrollment process under which any individual who does not enroll with a capitated health care organization during the enrollment period specified by the State shall be enrolled by the State with such
an organization in accordance with such process.

"(B) LIMITATION.—A State may not enroll

an individual using the default enrollment process established by the State with a capitated health care organization which is not in compliance with the requirements of this section.

"(4) AVAILABILITY OF SERVICES.—A State may not contract with a capitated health care organization to provide medical assistance under the State plan under this title unless such organization delivers medical assistance to an enrollee with such organization under this title in a manner which makes such assistance, when medically necessary, available and accessible 24 hours a day and 7 days a week.

"(5) ADEQUATE NUMBER OF PROVIDERS.—A State may not contract with a capitated health care organization to provide medical assistance under the State plan under this title unless such organization contracts with a reasonable number of primary care and specialty care providers to meet the health care needs of enrollees with such organizations under this title.

"(6) PROHIBITIONS.—
“(A) IN GENERAL.—A State shall prohibit a capitated health care organization that the State enters into a contract with to provide medical assistance under a State plan under this title from—

“(i) discriminating on the basis of health status or anticipated need for services in the enrollment, reenrollment, or disenrollment of such an individual;

“(ii) obtaining the enrollment of such an individual through fraudulent or coercive means;

“(iii) distributing marketing materials within the State that contain false or materially misleading information; and

“(iv) having—

“(I) a person described in subparagraph (B) as a director, officer, partner, or person with beneficial ownership of more than 5 percent of the organization's equity; or

“(II) an employment, consulting, or other agreement with a person described in subparagraph (B) for the provision of items and services that
are significant and material to the organization's obligations under its contract with the State.

"(B) PERSONS DESCRIBED.—A person is described in this subparagraph if such person—

"(i) is debarred or suspended by the Federal Government, pursuant to the Federal acquisition regulation, from Government contracting and subcontracting;

"(ii) is an affiliate (within the meaning of the Federal acquisition regulation) of a person described in clause (i); or

"(iii) is excluded from participation in any program under title XVIII or any State health care program, as defined in section 1128(h).

"(7) AUDITS, INSPECTIONS, AND EXTERNAL REVIEWS.—

"(A) BY THE STATE.—A State shall require a capitated health care organization that the State enters into a contract with to provide medical assistance under a State plan under this title to provide such financial information as the State may specify and to allow the State
to audit and inspect the records of the organization to verify such information.

"(B) **INDEPENDENT, EXTERNAL REVIEWS.**—A State may not enter into a contract with a capitated health care organization to provide medical assistance under the State plan under this title unless the organization has a contract with a utilization and quality control organization under part B of title XI, an entity which meets the requirements of section 1152, as determined by the Secretary, or a private accreditation body, to conduct, on an annual basis, an independent, external review of the quality of the services provided by the organization.

"(8) **ESTABLISHMENT OF SANCTIONS FOR NON-COMPLIANCE WITH STANDARDS.**—A State shall establish sanctions, including intermediate sanctions and civil money penalties, which may be imposed against a capitated health care organization with a contract to provide medical assistance under the State plan under this title for—

"(A) noncompliance with the requirements of this subsection; or
“(B) failure to provide medically necessary
services required under such contract.
“(d) AUTHORITY TO CONTRACT WITH PRIMARY
CARE CASE MANAGEMENT PROVIDERS.—
“(1) IN GENERAL.—A State may contract with
a primary care case management provider (as de-
defined under subsection (e)(3)) for the provision of
case management services to an eligible low-income
individual under the State plan.
“(2) DEFAULT ENROLLMENT.—If a State es-
tablishes a default enrollment process under sub-
section (e)(3), the State may enroll an individual
who does not enroll with a capitated health care or-
ganization or with a primary care case management
provider during the enrollment period specified by
the State with a primary care case management pro-
vider using such process.
“(e) DEFINITIONS.—In this title:
“(1) CAPITATED HEALTH CARE ORGANIZA-
TION.—The term ‘capitated health care organiza-
tion’ means a health maintenance organization or
any other entity (including a health insuring organi-
ization, managed care organization, prepaid health
plan, integrated service network, or similar entity)
which under State law is permitted to accept capita-
tion 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 ‘capita-
tion payment’ means, with respect to payment, pay-
ment on a prepaid capitation basis or any other risk
basis to an entity for the entity’s provision (or ar-
ranging for the provision) of a group of items and
services, including at least inpatient hospital services
and physicians’ services.

“(3) Primary care case management pro-
vider.—The term ‘primary care case management
provider’ means a health care provider that—

“(A) is a physician, group of physicians, a
Federally-qualified health center, a rural health
clinic, or an entity employing or having other
arrangements with physicians that provides or
arranges for the provision of one or more items
and services to individuals eligible for medical
assistance under the State plan under this title;

“(B) receives a fixed fee per enrollee for a
specified period for providing case management
services (including approving and arranging for
the provision of health care items and services
on a referral basis) to enrolled individuals; and
“(C) is not an entity that is at full finan-
cial risk, as defined by the State.

“SEC. 1505. PREVENTING SPOUSAL IMPOVERISHMENT.
“(a) Special Treatment for Institutionalized Spouses.—

“(1) Supersedes other provisions.—In de-
termining 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 determina-
tions.—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 re-
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 income not from a trust, unless the instrument providing the income otherwise specifically provides—

"(i) if payment of income is made solely in the name of 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 in the names of the institutionalized spouse and the community spouse, \( \frac{1}{2} \) 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, \( \frac{1}{2} \) of the joint interest shall be considered 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 available to each spouse as provided in the trust, or, in the absence of a specific provision 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, 1/2 of the income shall be considered 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, 1/2 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), 1/2 of the income
shall be considered to be available to the institutionalized spouse and \( \frac{1}{2} \) 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.

"(e) 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 \( \frac{1}{2} \) 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 documentation 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 assessment for use under this section. If the request is not part of an application for medical assistance under this title, the State may, at its option as a condition of providing the assessment, require payment of a fee not exceeding the reasonable 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) to assist States to provide child care to parents trying to achieve independence from public assistance; and

“(5) to assist States in implementing the health, safety, licensing, and registration standards established in State regulations.”.

SEC. 2803. AUTHORIZATION OF APPROPRIATIONS AND ENTITLEMENT AUTHORITY.

(a) In General.—Section 658B (42 U.S.C. 9858) is amended to read as follows:

“SEC. 658B. AUTHORIZATION OF APPROPRIATIONS.

“There is authorized to be appropriated to carry out this subchapter $1,000,000,000 for each of the fiscal years 1996 through 2002.”.

(b) Social Security Act.—Part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) is amended by adding at the end the following:

“SEC. 418. FUNDING FOR CHILD CARE.

“(a) General Child Care Entitlement.—

“(1) General Entitlement.—Subject to the amount appropriated under paragraph (3), each State shall, for the purpose of providing child care assistance, be entitled to payments under a grant under this subsection for a fiscal year in an amount equal to—
"(A) the sum of the total amount required
to be paid to the State under former section
403 for fiscal year 1994 or 1995 (whichever is
greater) with respect to amounts expended for
child care under section—

"(i) 402(g) of this Act (as such sec-
tion was in effect before October 1, 1995); and

"(ii) 402(i) of this Act (as so in ef-
fect); or

"(B) the average of the total amounts re-
quired to be paid to the State for fiscal years
1992 through 1994 under the sections referred
to in subparagraph (A); whichever is greater.

"(2) REMAINDER.—

"(A) GRANTS.—The Secretary shall use
any amounts appropriated for a fiscal year
under paragraph (3), and remaining after the
reservation described in paragraph (4) and
after grants are awarded under paragraph (1),
to make grants to States under this paragraph.

"(B) AMOUNT.—Subject to subparagraph
(C), the amount of a grant awarded to a State
for a fiscal year under this paragraph shall be

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based on the formula used for determining the amount of Federal payments to the State under section 403(n) (as such section was in effect before October 1, 1995).

"(C) Matching Requirement.—The Secretary shall pay to each eligible State in a fiscal year an amount, under a grant under subparagraph (A), equal to the Federal medical assistance percentage for such State for fiscal year 1995 (as defined in section 1905(b)) of so much of the expenditures by the State for child care in such year as exceed the State set-aside for such State under paragraph (1)(A) for such year and the amount of State expenditures in fiscal year 1994 (or fiscal year 1995, whichever is greater) that equal the non-Federal share for the programs described in subparagraph (A) of paragraph (1).

"(D) Redistribution.—

"(i) In General.—With respect to any fiscal year, if the Secretary determines (in accordance with clause (ii)) that amounts under any grant awarded to a State under this paragraph for such fiscal year will not be used by such State during
such fiscal year for carrying out the purpose for which the grant is made, the Secretary shall make such amounts available in the subsequent fiscal year for carrying out such purpose to 1 or more States which apply for such funds to the extent the Secretary determines that such States will be able to use such additional amounts for carrying out such purpose. Such available amounts shall be redistributed to a State pursuant to section 402(i) (as such section was in effect before October 1, 1995) by substituting 'the number of children residing in all States applying for such funds' for 'the number of children residing in the United States in the second preceding fiscal year'.

"(ii) Time of Determination and Distribution.—The determination of the Secretary under clause (i) for a fiscal year shall be made not later than the end of the first quarter of the subsequent fiscal year. The redistribution of amounts under clause (i) shall be made as close as practicable to the date on which such determination is
made. Any amount made available to a State from an appropriation for a fiscal year in accordance with this subparagraph shall, for purposes of this part, be regarded as part of such State's payment (as determined under this subsection) for the fiscal year in which the redistribution is made.

"(3) APPROPRIATION.—There are authorized to be appropriated, and there are appropriated, to carry out this section—

"(A) $1,967,000,000 for fiscal year 1997;
"(B) $2,067,000,000 for fiscal year 1998;
"(C) $2,167,000,000 for fiscal year 1999;
"(D) $2,367,000,000 for fiscal year 2000;
"(E) $2,567,000,000 for fiscal year 2001;
and
"(F) $2,717,000,000 for fiscal year 2002.

"(4) INDIAN TRIBES.—The Secretary shall reserve not more than 1 percent of the aggregate amount appropriated to carry out this section in each fiscal year for payments to Indian tribes and tribal organizations.

"(b) USE OF FUNDS.—
“(1) IN GENERAL.—Amounts received by a State under this section shall only be used to provide child care assistance. Amounts received by a State under a grant under subsection (a)(1) shall be available for use by the State without fiscal year limitation.

“(2) USE FOR CERTAIN POPULATIONS.—A State shall ensure that not less than 70 percent of the total amount of funds received by the State in a fiscal year under this section are used to provide child care assistance to families who are receiving assistance under a State program under this part, families who are attempting through work activities to transition off of such assistance program, and families who are at risk of becoming dependent on such assistance program.

“(c) APPLICATION OF CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT of 1990.—Notwithstanding any other provision of law, amounts provided to a State under this section shall be transferred to the lead agency under the Child Care and Development Block Grant Act of 1990, integrated by the State into the programs established by the State under such Act, and be subject to requirements and limitations of such Act.
“(d) DEFINITION.—As used in this section, the term ‘State’ means each of the 50 States or the District of Columbia.”.

SEC. 2804. LEAD AGENCY.

Section 658D(b) (42 U.S.C. 9858b(b)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A), by striking “State” the first place that such appears and inserting “governmental or nongovernmental”; and

(B) in subparagraph (C), by inserting “with sufficient time and Statewide distribution of the notice of such hearing,” after “hearing in the State”; and

(2) in paragraph (2), by striking the second sentence.

SEC. 2805. APPLICATION AND PLAN.

Section 658E (42 U.S.C. 9858c) is amended—

(1) in subsection (b)—

(A) by striking “implemented—” and all that follows through “(2)” and inserting “implemented”; and

(B) by striking “for subsequent State plans”; and

(2) in subsection (c)—
(A) in paragraph (2)—

(i) in subparagraph (A)—

(I) in clause (i) by striking ",
other than through assistance pro-
vided under paragraph (3)(C),"; and

(II) by striking "except" and all
that follows through "1992", and in-
serting "and provide a detailed de-
scription of the procedures the State
will implement to carry out the re-
quirements of this subparagraph";

(ii) in subparagraph (B)—

(I) by striking "Provide assur-
ances" and inserting "Certify"; and

(II) by inserting before the pe-
riod at the end "and provide a de-
tailed description of such procedures";

(iii) in subparagraph (C)—

(I) by striking "Provide assur-
ances" and inserting "Certify"; and

(II) by inserting before the pe-
riod at the end "and provide a de-
tailed description of how such record
is maintained and is made available";
(iv) by amending subparagraph (D) to read as follows:

"(D) CONSUMER EDUCATION INFORMATION.—Certify that the State will collect and disseminate to parents of eligible children and the general public, consumer education information that will promote informed child care choices."

(v) in subparagraph (E), to read as follows:

"(E) COMPLIANCE WITH STATE LICENSING REQUIREMENTS.—

"(i) IN GENERAL.—Certify that the State has in effect licensing requirements applicable to child care services provided within the State, and provide a detailed description of such requirements and of how such requirements are effectively enforced. Nothing in the preceding sentence shall be construed to require that licensing requirements be applied to specific types of providers of child care services.

"(ii) INDIAN TRIBES AND TRIBAL ORGANIZATIONS.—In lieu of any licensing and regulatory requirements applicable
under State and local law, the Secretary, in consultation with Indian tribes and tribal organizations, shall develop minimum child care standards (that appropriately reflect tribal needs and available resources) that shall be applicable to Indian tribes and tribal organizations receiving assistance under this subchapter.”;

(vi) by striking subparagraph (F);

(vii) in subparagraph (G)—

(I) by redesignating such subparagraph as subparagraph (F);

(II) by striking “Provide assurances” and inserting “Certify”; and

(III) by striking “as described in subparagraph (F)”;

(viii) by striking subparagraphs (H), (I), and (J) and inserting the following:

“(G) MEETING THE NEEDS OF CERTAIN POPULATIONS.—Demonstrate the manner in which the State will meet the specific child care needs of families who are receiving assistance under a State program under part A of title IV of the Social Security Act, families who are attempting through work activities to transition
off of such assistance program, and families
that are at risk of becoming dependent on such
assistance program.”;

(B) in paragraph (3)—

(i) in subparagraph (A), by striking
“(B) and (C)” and inserting “(B) through
(D)”;

(ii) in subparagraph (B)—

(I) by striking “.—Subject to the
reservation contained in subparagraph
(C), the” and inserting “AND RELAT-
ed ACTIVITIES.—The”;

(II) in clause (i) by striking “; and” at the end and inserting a pe-
period;

(III) by striking “for—” and all
that follows through “section
658E(c)(2)(A)” and inserting “for
child care services on sliding fee scale
basis, activities that improve the qual-
ity or availability of such services, and
any other activity that the State
deems appropriate to realize any of
the goals specified in paragraphs (2)
through (5) of section 658A(b)”; and
(IV) by striking clause (ii);

(iii) by amending subparagraph (C) to read as follows:

"(C) LIMITATION ON ADMINISTRATIVE COSTS.—Not more than 5 percent of the aggregate amount of funds available to the State to carry out this subchapter by a State in each fiscal year may be expended for administrative costs incurred by such State to carry out all of its functions and duties under this subchapter. As used in the preceding sentence, the term 'administrative costs' shall not include the costs of providing direct services."

(iv) by adding at the end thereof the following:

"(D) ASSISTANCE FOR CERTAIN FAMILIES.—A State shall ensure that a substantial portion of the amounts available (after the State has complied with the requirement of section 418(b)(2) of the Social Security Act with respect to each of the fiscal years 1997 through 2002) to the State to carry out activities under this subchapter in each fiscal year is used to provide assistance to low-income working fami-
lies other than families described in paragraph (2)(F).”; and

(C) in paragraph (4)(A)—

(i) by striking “provide assurances” and inserting “certify”;

(ii) in the first sentence by inserting “and shall provide a summary of the facts relied on by the State to determine that such rates are sufficient to ensure such access” before the period; and

(iii) by striking the last sentence.

SEC. 2806. LIMITATION ON STATE ALLOTMENTS.

Section 658F(b) (42 U.S.C. 9858d(b)) is amended—

(1) in paragraph (1), by striking “No” and inserting “Except as provided for in section 6580(c)(6), no”; and

(2) in paragraph (2), by striking “referred to in section 658E(c)(2)(F)”.

SEC. 2807. ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.

Section 658G (42 U.S.C. 9858e) is amended to read as follows:
"SEC. 658G. ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE."

"A State that receives funds to carry out this subchapter for a fiscal year, shall use not less than 3 percent of the amount of such funds for activities that are designed to provide comprehensive consumer education to parents and the public, activities that increase parental choice, and activities designed to improve the quality and availability of child care (such as resource and referral services).".

SEC. 2808. REPEAL OF EARLY CHILDHOOD DEVELOPMENT AND BEFORE- AND AFTER-SCHOOL CARE REQUIREMENT.

Section 658H (42 U.S.C. 9858f) is repealed.

SEC. 2809. ADMINISTRATION AND ENFORCEMENT.

Section 658I(b) (42 U.S.C. 9858g(b)) is amended—

(1) in paragraph (1), by striking "and shall have" and all that follows through "(2)"; and

(2) in the matter following clause (ii) of paragraph (2)(A), by striking "finding and that" and all that follows through the period and inserting "finding and shall require that the State reimburse the Secretary for any funds that were improperly expended for purposes prohibited or not authorized by this subchapter, that the Secretary deduct from the administrative portion of the State allotment for the
following fiscal year an amount that is less than or equal to any improperly expended funds, or a combination of such options.”.

SEC. 2810. PAYMENTS.

Section 658J(c) (42 U.S.C. 9858h(c)) is amended by striking “expended” and inserting “obligated”.

SEC. 2811. ANNUAL REPORT AND AUDITS.

Section 658K (42 U.S.C. 9858i) is amended—

(1) in the section heading by striking “ANNUAL REPORT” and inserting “REPORTS”;

(2) in subsection (a), to read as follows:

“(a) REPORTS.—

“(1) COLLECTION OF INFORMATION BY STATES.—

“(A) IN GENERAL.—A State that receives funds to carry out this subchapter shall collect the information described in subparagraph (B) on a monthly basis.

“(B) REQUIRED INFORMATION.—The information required under this subparagraph shall include, with respect to a family unit receiving assistance under this subchapter information concerning—

“(i) family income;

“(ii) county of residence;
"(iii) the gender, race, and age of children receiving such assistance;

"(iv) whether the family includes only 1 parent;

"(v) the sources of family income, including the amount obtained from (and separately identified)—

"(I) employment, including self-employment;

"(II) cash or other assistance under part A of title IV of the Social Security Act;

"(III) housing assistance;

"(IV) assistance under the Food Stamp Act of 1977; and

"(V) other assistance programs;

"(vi) the number of months the family has received benefits;

"(vii) the type of child care in which the child was enrolled (such as family child care, home care, or center-based child care);

"(viii) whether the child care provider involved was a relative;
“(ix) the cost of child care for such families; and
“(x) the average hours per week of such care;
during the period for which such information is required to be submitted.
“(C) Submission to Secretary.—A State described in subparagraph (A) shall, on a quarterly basis, submit the information required to be collected under subparagraph (B) to the Secretary.
“(D) Sampling.—The Secretary may disapprove the information collected by a State under this paragraph if the State uses sampling methods to collect such information.
“(2) Biannual Reports.—Not later than December 31, 1997, and every 6 months thereafter, a State described in paragraph (1)(A) shall prepare and submit to the Secretary a report that includes aggregate data concerning—
“(A) the number of child care providers that received funding under this subchapter as separately identified based on the types of providers listed in section 658P(5);
“(B) the monthly cost of child care services, and the portion of such cost that is paid for with assistance provided under this subchapter, listed by the type of child care services provided;

“(C) the number of payments made by the State through vouchers, contracts, cash, and disregards under public benefit programs, listed by the type of child care services provided;

“(D) the manner in which consumer education information was provided to parents and the number of parents to whom such information was provided; and

“(E) the total number (without duplication) of children and families served under this subchapter;

during the period for which such report is required to be submitted.”; and

(2) in subsection (b)—

(A) in paragraph (1) by striking “a application” and inserting “an application”;  
(B) in paragraph (2) by striking “any agency administering activities that receive” and inserting “the State that receives”; and
(C) in paragraph (4) by striking “entitles” and inserting “entitled”.

SEC. 2812. REPORT BY THE SECRETARY.

Section 658L (42 U.S.C. 9858j) is amended—

(1) by striking “1993” and inserting “1997”;

(2) by striking “annually” and inserting “biennially”; and

(3) by striking “Education and Labor” and inserting “Economic and Educational Opportunities”.

SEC. 2813. ALLOTMENTS.

Section 658O (42 U.S.C. 9858m) is amended—

(1) in subsection (a)—

(A) in paragraph (1)

(i) by striking “POSSESSIONS” and inserting “POSSESSIONS”;  

(ii) by inserting “and” after “States,”; and

(iii) by striking “, and the Trust Territory of the Pacific Islands”; and

(B) in paragraph (2), by striking “3 percent” and inserting “1 percent”;

(2) in subsection (c)—

(A) in paragraph (5) by striking “our” and inserting “out”; and
(B) by adding at the end thereof the fol-
lowing new paragraph:

"(6) CONSTRUCTION OR RENOVATION OF FA-
CILITIES.—

"(A) REQUEST FOR USE OF FUNDS.—An
Indian tribe or tribal organization may submit
to the Secretary a request to use amounts pro-
vided under this subsection for construction or
renovation purposes.

"(B) DETERMINATION.—With respect to a
request submitted under subparagraph (A), and
except as provided in subparagraph (C), upon a
determination by the Secretary that adequate
facilities are not otherwise available to an In-
dian tribe or tribal organization to enable such
tribe or organization to carry out child care
programs in accordance with this subchapter,
and that the lack of such facilities will inhibit
the operation of such programs in the future,
the Secretary may permit the tribe or organiza-
tion to use assistance provided under this sub-
section to make payments for the construction
or renovation of facilities that will be used to
carry out such programs.
“(C) LIMITATION.—The Secretary may not permit an Indian tribe or tribal organization to use amounts provided under this subsection for construction or renovation if such use will result in a decrease in the level of child care services provided by the tribe or organization as compared to the level of such services provided by the tribe or organization in the fiscal year preceding the year for which the determination under subparagraph (A) is being made.

“(D) UNIFORM PROCEDURES.—The Secretary shall develop and implement uniform procedures for the solicitation and consideration of requests under this paragraph.”; and

(3) in subsection (e), by adding at the end thereof the following new paragraph:

“(4) INDIAN TRIBES OR TRIBAL ORGANIZATIONS.—Any portion of a grant or contract made to an Indian tribe or tribal organization under subsection (e) that the Secretary determines is not being used in a manner consistent with the provision of this subchapter in the period for which the grant or contract is made available, shall be allotted by the Secretary to other tribes or organizations that have
submitted applications under subsection (e) in accordance with their respective needs.”.

SEC. 2814. DEFINITIONS.

Section 658P (42 U.S.C. 9858n) is amended—

(1) in paragraph (2), in the first sentence by inserting “or as a deposit for child care services if such a deposit is required of other children being cared for by the provider” after “child care services”; and

(2) by striking paragraph (3);

(3) in paragraph (4)(B), by striking “75 percent” and inserting “85 percent”;

(4) in paragraph (5)(B)—

(A) by inserting “great grandchild, sibling (if such provider lives in a separate residence),” after “grandchild,”;

(B) by striking “is registered and”; and

(C) by striking “State” and inserting “applicable”.

(5) by striking paragraph (10);

(6) in paragraph (13)—

(A) by inserting “or” after “Samoa,”; and

(B) by striking “, and the Trust Territory of the Pacific Islands”;

(7) in paragraph (14)—
(A) by striking "The term" and inserting the following:

"(A) IN GENERAL.—The term"; and

(B) by adding at the end thereof the following new subparagraph:

"(B) OTHER ORGANIZATIONS.—Such term includes a Native Hawaiian Organization, as defined in section 4009(4) of the Augustus F. Hawkins-Robert T. Stafford Elementary and Secondary School Improvement Amendments of 1988 (20 U.S.C. 4909(4)) and a private non-profit organization established for the purpose of serving youth who are Indians or Native Hawaiians.".

SEC. 2815. REPEALS.

(a) CHILD DEVELOPMENT ASSOCIATE SCHOLARSHIP ASSISTANCE ACT OF 1985.—Title VI of the Human Services Reauthorization Act of 1986 (42 U.S.C. 10901–10905) is repealed.

(b) STATE DEPENDENT CARE DEVELOPMENT GRANTS ACT.—Subchapter E of chapter 8 of subtitle A of title VI of the Omnibus Budget Reconciliation Act of 1981 (42 U.S.C. 9871–9877) is repealed.

(c) PROGRAMS OF NATIONAL SIGNIFICANCE.—Title X of the Elementary and Secondary Education Act of
1965, as amended by Public Law 103–382 (108 Stat. 3809 et seq.), is amended—

(1) in section 10413(a) by striking paragraph (4),

(2) in section 10963(b)(2) by striking subparagraph (G), and

(3) in section 10974(a)(6) by striking subparagraph (G).

(d) NATIVE HAWAIIAN FAMILY-BASED EDUCATION CENTERS.—Section 9205 of the Native Hawaiian Education Act, as amended by section 101 of Public Law 103–382, (108 Stat. 3794) is repealed.

SEC. 2816. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), this chapter and the amendments made by this chapter shall take effect on October 1, 1996.

(b) EXCEPTION.—The amendment made by section 2803(a) shall take effect on the date of enactment of this Act.

CHAPTER 9—MISCELLANEOUS

SEC. 2901. APPROPRIATION BY STATE LEGISLATURES.

(a) IN GENERAL.—Any funds received by a State under the provisions of law specified in subsection (b) shall be subject to appropriation by the State legislature, con-
Sistent with the terms and conditions required under such provisions of law.

(b) PROVISIONS OF LAW.—The provisions of law specified in this subsection are the following:

(1) Part A of title IV of the Social Security Act (relating to block grants for temporary assistance for needy families).

(2) Section 27 of the Food Stamp Act of 1977 (relating to the optional State food assistance block grant).

(3) The Child Care and Development Block Grant Act of 1990 (relating to block grants for child care).

SEC. 2902. SANCTIONING FOR TESTING POSITIVE FOR CONTROLLED SUBSTANCES.

Notwithstanding any other provision of law, States shall not be prohibited by the Federal Government from testing welfare recipients for use of controlled substances nor from sanctioning welfare recipients who test positive for use of controlled substances.

SEC. 2903. REDUCTION IN BLOCK GRANTS TO STATES FOR SOCIAL SERVICES.

Section 2003(c) of the Social Security Act (42 U.S.C. 1397b(c)) 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 1995;
"(6) $2,381,000,000 for the fiscal year 1996;
"(7) $2,240,000,000 for each of the fiscal years
1997 through 2002; and
"(8) $2,800,000,000 for the fiscal year 2003
and each succeeding fiscal year.".

SEC. 2904. ELIMINATION OF HOUSING ASSISTANCE WITH
RESPECT TO FUGITIVE FELONS AND PROBA-
TION AND PAROLE VIOLATORS.

(a) ELIGIBILITY FOR ASSISTANCE.—The United
States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is
amended—

(1) in section 6(1)—

(A) in paragraph (5), by striking "and" at
the end;

(B) in paragraph (6), by striking the pe-
riod at the end and inserting "; and"; and

(C) by inserting immediately after para-
graph (6) the following new paragraph:
“(7) provide that it shall be cause for immediate termination of the tenancy of a public housing tenant if such tenant—

“(A) is fleeing to avoid prosecution, or custody or confinement after conviction, under the laws of the place from which the individual flees, for a crime, or attempt to commit a crime, which is a felony under the laws of the place from which the individual flees, or which, in the case of the State of New Jersey, is a high misdemeanor under the laws of such State; or

“(2) is violating a condition of probation or parole imposed under Federal or State law.”; and

(2) in section 8(d)(1)(B)—

(A) in clause (iii), by striking “and” at the end;

(B) in clause (iv), by striking the period at the end and inserting “; and”; and

(C) by adding after clause (iv) the following new clause:

“(v) it shall be cause for termination of the tenancy of a tenant if such tenant—

“(I) is fleeing to avoid prosecution, or custody or confinement after
conviction, under the laws of the place
from which the individual flees, for a
crime, or attempt to commit a crime,
which is a felony under the laws of
the place from which the individual
flees, or which, in the case of the
State of New Jersey, is a high mis-
demeanor under the laws of such
State; or

“(II) is violating a condition of
probation or parole imposed under
Federal or State law;”.

(b) PROVISION OF INFORMATION TO LAW ENFORCE-
MENT AGENCIES.—Title I of the United States Housing
Act of 1937 (42 U.S.C. 1437 et seq.), as amended by sec-
tions 2404(d) and 2601 of this Act, is amended by adding
at the end the following:

“SEC. 29. EXCHANGE OF INFORMATION WITH LAW EN-
FORCEMENT AGENCIES.

“Notwithstanding any other provision of law, each
public housing agency that enters into a contract for as-
sistance under section 6 or 8 of this Act with the Secretary
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 appli-
cable) of any recipient of assistance under this Act, if the
officer—

“(1) furnishes the public housing agency with
the name of the recipient; and

“(2) notifies the agency that—

“(A) such recipient—

“(i) is fleeing to avoid prosecution, or
custody or confinement after conviction,
under the laws of the place from which the
individual flees, for a crime, or attempt to
commit a crime, which is a felony under
the laws of the place from which the indi-
vidual flees, or which, in the case of the
State of New Jersey, is a high mis-
demeanor under the laws of such State; or

“(ii) is violating a condition of proba-
tion or parole imposed under Federal or
State law; or

“(iii) has information that is nec-
essary for the officer to conduct the offi-
cer’s official duties;

“(B) the location or apprehension of the
recipient is within such officer’s official duties;

and
"(C) the request is made in the proper exercise of the officer's official duties.”.

SEC. 2905. SENSE OF THE SENATE REGARDING ENTERPRISE ZONES.

(a) FINDINGS.—The Senate finds that:

(1) Many of the Nation's urban centers are places with high levels of poverty, high rates of welfare dependency, high crime rates, poor schools, and joblessness;

(2) Federal tax incentives and regulatory reforms can encourage economic growth, job creation and small business formation in many urban centers;

(3) Encouraging private sector investment in America's economically distressed urban and rural areas is essential to breaking the cycle of poverty and the related ills of crime, drug abuse, illiteracy, welfare dependency, and unemployment;

(4) The empowerment zones enacted in 1993 should be enhanced by providing incentives to increase entrepreneurial growth, capital formation, job creation, educational opportunities, and home ownership in the designated communities and zones.

(b) SENSE OF THE SENATE.—Therefore, it is the Sense of the Senate that the Congress should adopt enterprise zone legislation in the One Hundred Fourth Con-

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gress, and that such enterprise zone legislation provide the following incentives and provisions:

(1) Federal tax incentives that expand access to capital, increase the formation and expansion of small businesses, and promote commercial revitalization;

(2) Regulatory reforms that allow localities to petition Federal agencies, subject to the relevant agencies’ approval, for waivers or modifications of regulations to improve job creation, small business formation and expansion, community development, or economic revitalization objectives of the enterprise zones;

(3) Home ownership incentives and grants to encourage resident management of public housing and home ownership of public housing;

(4) School reform pilot projects in certain designated enterprise zones to provide low-income parents with new and expanded educational options for their children’s elementary and secondary schooling.

SEC. 2906. SENSE OF THE SENATE REGARDING THE ABILITY 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.

SEC. 2907. 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 out-of-wedlock teenage pregnancies, 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).

SEC. 2908. 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. 2909. ABSTINENCE EDUCATION.

(a) INCREASES IN FUNDING.—Section 501(a) of the Social Security Act (42 U.S.C. 701(a)) is amended in the matter preceding paragraph (1) by striking "Fiscal year 1990 and each fiscal year thereafter" and inserting "Fiscal years 1990 through 1995 and $761,000,000 for fiscal year 1996 and each fiscal year thereafter".

(b) ABSTINENCE EDUCATION.—Section 501(a)(1) of such Act (42 U.S.C. 701(a)(1)) is amended—

(1) in subparagraph (C), by striking "and" at the end;

(2) in subparagraph (D), by adding "and" at the end; and

(3) by adding at the end the following new sub-paragraph:
“(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.”.

(c) ABSTINENCE EDUCATION DEFINED.—Section 501(b) of such Act (42 U.S.C. 701(b)) is amended by adding at the end the following new paragraph:

“(5) ABSTINENCE EDUCATION.—For purposes of this subsection, 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(e) of such Act (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 of such Act (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. 2910. PROVISIONS TO ENCOURAGE ELECTRONIC BENEFIT TRANSFER SYSTEMS.

Section 904 of the Electronic Fund Transfer Act (15 U.S.C. 1693b) is amended—

(1) by striking “(d) In the event” and inserting “(d) APPLICABILITY TO SERVICE PROVIDERS OTHER THAN CERTAIN FINANCIAL INSTITUTIONS.—

“(1) IN GENERAL.—In the event”; and

(2) by adding at the end the following new paragraph:

“(2) STATE AND LOCAL GOVERNMENT ELECTRONIC BENEFIT TRANSFER PROGRAMS.—

“(A) EXEMPTION GENERALLY.—The disclosures, protections, responsibilities, and remedies established under this title, and any regulation prescribed or order issued by the Board in accordance with this title, shall not apply to any electronic benefit transfer program established under State or local law or administered by a State or local government.

“(B) EXCEPTION FOR DIRECT DEPOSIT INTO RECIPIENT’S ACCOUNT.—Subparagraph
(A) shall not apply with respect to any electronic funds transfer under an electronic benefit transfer program for deposits directly into a consumer account held by the recipient of the benefit.

“(C) RULE OF CONSTRUCTION.—No provision of this paragraph may be construed as—

“(i) affecting or altering the protections otherwise applicable with respect to benefits established by Federal, State, or local law; or

“(ii) otherwise superseding the application of any State or local law.

“(D) ELECTRONIC BENEFIT TRANSFER PROGRAM DEFINED.—For purposes of this paragraph, the term ‘electronic benefit transfer program’—

“(i) means a program under which a government agency distributes needs-tested benefits by establishing accounts to be accessed by recipients electronically, such as through automated teller machines, or point-of-sale terminals; and

“(ii) does not include employment-related payments, including salaries and pen-
sion, retirement, or unemployment benefits established by Federal, State, or local governments.”.

SEC. 2911. RULES RELATING TO DENIAL OF EARNED INCOME CREDIT ON BASIS OF DISQUALIFIED INCOME.

(a) REDUCTION IN DISQUALIFIED INCOME THRESHOLD.—

(1) IN GENERAL.—Paragraph (1) of section 32(i) of the Internal Revenue Code of 1986 (relating to denial of credit for individuals having excessive investment income) is amended by striking “$2,350” and inserting “$2,200”.

(2) ADJUSTMENT FOR INFLATION.—Subsection (j) of section 32 of such Code is amended to read as follows:

“(j) INFLATION ADJUSTMENTS.—

“(1) IN GENERAL.—In the case of any taxable year beginning after 1996, each of the dollar amounts in subsections (b)(2)(A) and (i)(1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, deter-
mined by substituting 'calendar year 1995' for 'calendar year 1992' in subparagraph (B) thereof.

"(2) ROUNDING.—

"(A) IN GENERAL.—If any dollar amount in subsection (b)(2), after being increased under paragraph (1), is not a multiple of $10, such dollar amount shall be rounded to the nearest multiple of $10.

"(B) DISQUALIFIED INCOME THRESHOLD AMOUNT.—If the dollar amount in subsection (i)(1), after being increased under paragraph (1), is not a multiple of $50, such amount shall be rounded to the next lowest multiple of $50.”.

(3) CONFORMING AMENDMENTS.—The table contained in section 32(b)(2)(A) of the Internal Revenue Code of 1986 is amended—

(1) by striking "$6,000" and inserting "$6,330",

(2) by striking "$11,000" both places it appears and inserting "$11,610",

(3) by striking "$8,425" and inserting "$8,890",

(4) by striking "$4,000" and inserting "$4,220", and
(5) by striking "$5,000" and inserting "$5,280".

(b) DEFINITION OF DISQUALIFIED INCOME.—Paragraph (2) of section 32(i) of such Code (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 a comma, and by adding at the end the following new subparagraphs:

"(D) the capital gain net income (as defined in section 1222) of the taxpayer for such taxable year, 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 included in earned income under subsection (c)(2) or 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.”.

(c) EFFECTIVE DATES.—
(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1995.

(2) ADVANCE PAYMENT INDIVIDUALS.—In the case of any individual who on or before June 26, 1996, has in effect an earned income eligibility certificate for the individual's taxable year beginning in 1996, the amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 2912. MODIFICATION OF ADJUSTED GROSS INCOME DEFINITION FOR EARNED INCOME CREDIT.

(a) IN GENERAL.—Subsections (a)(2)(B), (e)(1)(C), and (f)(2)(B) of section 32 of the Internal Revenue Code of 1986 are each amended by striking "adjusted gross income" each place it appears and inserting "modified adjusted gross income".

(b) MODIFIED ADJUSTED GROSS INCOME DEFINED.—Section 32(e) of such Code (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 the amounts described in subparagraph (C).

"(B) NONTAXABLE INCOME TAKEN INTO ACCOUNT.—Amounts described in this subparagraph are—

"(i) interest received or accrued during the taxable year which is exempt from tax imposed by this chapter, and

"(ii) amounts received as a pension or annuity, and any distributions or payments received from an individual retirement plan, by the taxpayer during the taxable year to the extent not included in gross income.

Clause (ii) shall not include any amount which is not includible in gross income by reason of section 402(e), 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 estates and trusts,

"(iii) 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), and

"(iv) 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 businesses.
For purposes of clause (iv), 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.”.

(c) Effective Dates.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 1995.

(2) Advance Payment Individuals.—In the case of any individual who on or before June 26, 1996, has in effect an earned income eligibility certificate for the individual's taxable year beginning in 1996, the amendments made by this section shall apply to taxable years beginning after December 31, 1996.

SEC. 2913. Suspension of Inflation Adjustments for Individuals with No Qualifying Children.

(a) In General.—Subsection (j) of section 32 of the Internal Revenue Code of 1986, as amended by section 2911(a)(2) of this Act, is amended by adding at the end the following new paragraph:
“(3) No Adjustment for Individuals with No Qualifying Children.—This subsection shall not apply to each dollar amount contained in subsection (b)(2)(A) with respect to individuals with no qualifying children.”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 1996.

Subtitle B—Restructuring Medicaid

Sec. 2920. Short title of subtitle.

This subtitle may be cited as the “Medicaid Restructuring Act of 1996”.

Sec. 2921. Table of contents of subtitle.

The table of contents for this subtitle is as follows:

Sec. 2920. Short title of subtitle.
Sec. 2921. Table of contents of subtitle.
Sec. 2922. Finding; goals for medicaid restructuring.
Sec. 2923. Restructuring the medicaid program.
Sec. 2924. State election; termination of current program; and transition.
Sec. 2925. Integration demonstration project.
Sec. 2926. National Commission on Medicaid and State-Based Health Care Reform.

Sec. 2922. Finding; Goals for Medicaid Restructuring.

(a) Finding.—The Congress finds that the National Governors' Association on February 6, 1996, adopted unanimously and on a bipartisan basis goals to guide the restructuring of the medicaid program.
(b) GOALS FOR RESTRUCTURING.—The following are the 4 primary goals so adopted:

(1) The basic health care needs of the nation’s most vulnerable populations must be guaranteed.

(2) The growth in health care expenditures must be brought under control.

(3) States must have maximum flexibility in the design and implementation of cost-effective systems of care.

(4) States must be protected from unanticipated program costs resulting from economic fluctuations in the business cycle, changing demographics, and natural disasters.

SEC. 2923. RESTRUCTURING THE MEDICAID PROGRAM.

The Social Security Act is amended by inserting after title XIV the following new title:

"TITLE XV—PROGRAM OF MEDICAL ASSISTANCE FOR LOW-INCOME INDIVIDUALS AND FAMILIES"

"TABLE OF CONTENTS OF TITLE"

"Sec. 1500. Purpose; State plans.

"PART A—ELIGIBILITY AND BENEFITS"

"Sec. 1501. Guaranteed eligibility and benefits.
"Sec. 1502. Other provisions relating to eligibility and benefits.
"Sec. 1503. Limitations on cost-sharing.
"Sec. 1504. Requirements relating to medical assistance provided through managed care arrangements.
"Sec. 1505. Preventing spousal impoverishment.
"Sec. 1506. Preventing family impoverishment.
"Sec. 1507. State flexibility.
"Sec. 1508. Private rights of action.

"PART B—PAYMENTS TO STATES"

"Sec. 1511. Allotment of funds among States."
"Sec. 1512. Payments to States.
"Sec. 1513. Limitation on use of funds; disallowance.

"PART C—ESTABLISHMENT AND AMENDMENT OF STATE PLANS

"Sec. 1521. Description of strategic objectives and performance goals.
"Sec. 1522. Annual reports.
"Sec. 1523. Periodic, independent evaluations.
"Sec. 1524. Description of process for State plan development.
"Sec. 1525. Consultation in State plan development.
"Sec. 1526. Submittal and approval of State plans.
"Sec. 1527. Submittal and approval of plan amendments.
"Sec. 1528. Process for State withdrawal from program.
"Sec. 1529. Sanctions for noncompliance.
"Sec. 1530. Secretarial authority.

"PART D—PROGRAM INTEGRITY AND QUALITY

"Sec. 1551. Use of audits to achieve fiscal integrity.
"Sec. 1552. Fraud prevention program.
"Sec. 1553. Information concerning sanctions taken by State licensing authorities against health care practitioners and providers.
"Sec. 1554. State fraud control units.
"Sec. 1555. Recoveries from third parties and others.
"Sec. 1556. Assignment of rights of payment.
"Sec. 1557. Quality assurance requirements for nursing facilities.
"Sec. 1558. Other provisions promoting program integrity.

"PART E—GENERAL PROVISIONS

"Sec. 1571. Definitions.
"Sec. 1572. Treatment of territories.
"Sec. 1573. Description of treatment of Indian Health Service facilities and related programs.
"Sec. 1574. Application of certain general provisions.
"Sec. 1575. Optional master drug rebate agreements.

1 "SEC. 1500. PURPOSE; STATE PLANS.
2 "(a) PURPOSE.—The purpose of this title is to provide funds 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 1512 unless the State has submitted to the Secretary under part C a plan (in this title referred to as a ‘State 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 State plan shall continue in effect unless and until—

“(1) the State amends the plan under section 1527,

“(2) the State terminates participation under this title under section 1528, or

“(3) the Secretary finds substantial noncompliance of the plan with the requirements of this title under section 1529.

“(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 (and, beginning on October 1, 1997, to facilities or programs described in section 1512(f)(3)(B)(iii)) of amounts provided under part B.

“(e) EFFECTIVE DATE.—No State is eligible for payments under section 1512 for any calendar quarter beginning before October 1, 1996.
"PART A—ELIGIBILITY AND BENEFITS

SEC. 1501. GUARANTEED ELIGIBILITY AND BENEFITS.

(a) GUARANTEED COVERAGE AND BENEFITS FOR CERTAIN POPULATIONS.—

(1) In general.—Each State plan shall provide for making medical assistance available for benefits in the guaranteed benefit package (as defined in paragraph (2)) to individuals within each of the following categories:

(A) POOR PREGNANT WOMEN.—Pregnant women with family income below 133 percent of the poverty line.

(B) CHILDREN UNDER 6.—Children under 6 years of age whose family income does not exceed 133 percent of the poverty line.

(C) CHILDREN 6 TO 19.—Children born after September 30, 1983, who are over 5 years of age, but under 19 years of age, whose family income does not exceed 100 percent of the poverty line.

(D) DISABLED INDIVIDUALS.—As elected by the State under paragraph (3), either—

(i) disabled individuals (as defined by the State) who meet the income and re-
source standards established under the plan, or

"(ii) individuals who are under 65 years of age, who are disabled (as determined under section 1614(a)(3)), and who, using the methodology provided for determining eligibility for payment of supplemental security income benefits under title XVI, meet the income and resource standards for payment of such benefits.

"(E) POOR ELDERLY INDIVIDUALS.—Subject to paragraph (4), elderly individuals who, using the methodology provided for determining eligibility for payment of supplemental security income benefits under title XVI, meet the income and resource standards for payment of such benefits.

"(F) CHILDREN RECEIVING FOSTER CARE OR ADOPTION ASSISTANCE.—Subject to paragraph (5), children who meet the requirements for receipt of foster care maintenance payments or adoption assistance under title IV.

"(G) CERTAIN LOW-INCOME FAMILIES.—Subject to paragraph (6), individuals and members of families who meet current AFDC in-
(C) Veteran and Active Duty Exception.—Paragraph (1) shall not apply to an alien who is lawfully residing in any State and is—

(i) 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,

(ii) on active duty (other than active duty for training) in the Armed Forces of the United States, or

(iii) the spouse or unmarried dependent child of an individual described in clause (i) or (ii).

(D) Transition for Aliens Currently Receiving Benefits.—

(i) SSI.—

(I) In General.—With respect to the specified Federal program described in paragraph (3)(A), during the period beginning on the date of the enactment of this Act and ending on the date which is 1 year after such date of enactment, the Commissioner of Social Security shall redetermine
the eligibility of any individual who is receiving benefits under such program as of the date of the enactment of this Act and whose eligibility for such benefits may terminate by reason of the provisions of this subsection.

(II) Redetermination Criteria.—With respect to any redetermination under subclause (I), the Commissioner of Social Security shall apply the eligibility criteria for new applicants for benefits under such program.

(III) Grandfather Provision.—The provisions of this subsection and the redetermination under subclause (I), shall only apply with respect to the benefits of an individual described in subclause (I) for months beginning on or after the date of the redetermination with respect to such individual.

(IV) Notice.—Not later than January 1, 1997, the Commissioner of Social Security shall notify an individ-
ual described in subclause (I) of the provisions of this clause.

(ii) FOOD STAMPS.——

    (I) IN GENERAL.—With respect to the specified Federal program described in paragraph (3)(B), during the period beginning on the date of enactment of this Act and ending on the date which is 1 year after the date of enactment, the State agency shall, at the time of the recertification, re-certify the eligibility of any individual who is receiving benefits under such program as of the date of enactment of this Act and whose eligibility for such benefits may terminate by reason of the provisions of this subsection.

    (II) RECERTIFICATION CRITERIA.—With respect to any recertification under subclause (I), the State agency shall apply the eligibility criteria for applicants for benefits under such program.

    (III) GRANDFATHER PROVISION.—The provisions of this sub-
section and the recertification under subclause (I) shall only apply with respect to the eligibility of an alien for a program for months beginning on or after the date of recertification, if on the date of enactment of this Act the alien is lawfully residing in any State and is receiving benefits under such program on such date of enactment.

(3) SPECIFIED FEDERAL PROGRAM DEFINED.—

For purposes of this chapter, the term “specified Federal program” means any of the following:

(A) SSI.—The supplemental security income program under title XVI of the Social Security Act, including supplementary payments pursuant to an agreement for Federal administration under section 1616(a) of the Social Security Act and payments pursuant to an agreement entered into under section 212(b) of Public Law 93–66.

(B) FOOD STAMPS.—The food stamp program as defined in section 3(h) of the Food Stamp Act of 1977.

(b) LIMITED ELIGIBILITY FOR DESIGNATED FEDERAL PROGRAMS.—
(1) IN GENERAL.—Notwithstanding any other provision of law and except as provided in section 2403 and paragraph (2), a State is authorized to determine the eligibility of an alien who is a qualified alien (as defined in section 2431) for any designated Federal program (as defined in paragraph (3)).

(2) EXCEPTIONS.—Qualified aliens under this paragraph shall be eligible for any designated Federal program.

(A) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

(i) An alien who is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act until 5 years after the date of an alien's entry into the United States.

(ii) An alien who is granted asylum under section 208 of such Act until 5 years after the date of such grant of asylum.

(iii) An alien whose deportation is being withheld under section 243(h) of such Act until 5 years after such withholding.

(B) CERTAIN PERMANENT RESIDENT ALIENS.—An alien who—
(i) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and

(ii)(I) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 2435, and (II) did not receive any Federal means-tested public benefit (as defined in section 2403(c)) during any such quarter.

(C) VETERAN AND ACTIVE DUTY EXCEPTION.—An alien who is lawfully residing in any State and is—

(i) 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,

(ii) on active duty (other than active duty for training) in the Armed Forces of the United States, or

(iii) the spouse or unmarried dependent child of an individual described in clause (i) or (ii).
(D) Transition for those currently receiving benefits.—An alien who on the
date of the enactment of this Act is lawfully residing in any State and is receiving benefits
under such program on the date of the enactment of this Act shall continue to be eligible to
receive such benefits until January 1, 1997.

(3) Designated federal program defined.—For purposes of this chapter, the term
"designated Federal program" means any of the following:

(A) Temporary assistance for needy families.—The program of block grants to
States for temporary assistance for needy families under part A of title IV of the Social Security Act.

(B) Social services block grant.—The program of block grants to States for social services under title XX of the Social Security Act.

(C) Medicaid.—The program of medical assistance under title XV and XIX of the Social Security Act.
SEC. 2403. FIVE-YEAR LIMITED ELIGIBILITY OF QUALIFIED ALIENS FOR FEDERAL MEANS-TESTED PUBLIC BENEFIT.

(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsection (b), an alien who is a qualified alien (as defined in section 2431) and who enters the United States on or after the date of the enactment of this Act is not eligible for any Federal means-tested public benefit (as defined in subsection (c)) for a period of five years beginning on the date of the alien’s entry into the United States with a status within the meaning of the term “qualified alien”.

(b) EXCEPTIONS.—The limitation under subsection (a) shall not apply to the following aliens:

(1) Exception for Refugees and Asylees.—

(A) An alien who is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act.

(B) An alien who is granted asylum under section 208 of such Act.

(C) An alien whose deportation is being withheld under section 243(h) of such Act.

(2) Veteran and Active Duty Exception.—

An alien who is lawfully residing in any State and is—
(A) 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,

(B) on active duty (other than active duty for training) in the Armed Forces of the United States, or

(C) the spouse or unmarried dependent child of an individual described in subparagraph (A) or (B).

(c) FEDERAL MEANS-TESTED PUBLIC BENEFIT DEFINED.—

(1) Except as provided in paragraph (2), for purposes of this chapter, the term "Federal means-tested public benefit" means a public benefit (including cash, medical, housing, and food assistance and social services) of the Federal Government in which the eligibility of an individual, household, or family eligibility unit for benefits, or the amount of such benefits, or both are determined on the basis of income, resources, or financial need of the individual, household, or unit.

(2) Such term does not include the following:

(A) Emergency medical services under title XV or XIX of the Social Security Act.
(B) Short-term, non-cash, in-kind 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)(i) Public health assistance for immunizations.

(ii) Public health assistance for testing and treatment of a communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.

(F) Payments for foster care and adoption assistance under part E of title IV of the Social Security Act for a child who would, in the absence of subsection (a), be eligible to have such payments made on the child's behalf under such part, but only if the foster or adoptive parent or parents of such child are not described under subsection (a).

(G) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's
sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (i) deliver in-kind services at the community level, including through public or private nonprofit 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 or safety.


SEC. 2404. NOTIFICATION AND INFORMATION REPORTING.

(a) NOTIFICATION.—Each Federal agency that administers a program to which section 2401, 2402, or 2403 applies shall, directly or through the States, post information and provide general notification to the public and to program recipients of the changes regarding eligibility for any such program pursuant to this subchapter.

(b) INFORMATION REPORTING UNDER TITLE IV OF THE SOCIAL SECURITY ACT.—Part A of title IV of the Social Security Act, as amended by section 2103(a) of this
Act, is amended by inserting the following new section after section 411:

"SEC. 411A. 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."

(c) SSI.—Section 1631(e) of such Act (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.”.

(d) INFORMATION REPORTING FOR 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.

"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 section 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.”.

Subchapter B—Eligibility for State and Local Public Benefits Programs

SEC. 2411. ALIENS WHO ARE NOT QUALIFIED ALIENS OR NONIMMIGRANTS INELIGIBLE FOR STATE AND LOCAL PUBLIC BENEFITS.

(a) IN GENERAL.—Notwithstanding any other provision of law and except as provided in subsections (b) and (d), an alien who is not—

(1) a qualified alien (as defined in section 2431),

(2) a nonimmigrant under the Immigration and Nationality Act, or

(3) an alien who is paroled into the United States under section 212(d)(5) of such Act for less than one year,

is not eligible for any State or local public benefit (as defined in subsection (c)).

(b) EXCEPTIONS.—Subsection (a) shall not apply with respect to the following State or local public benefits:

(1) Emergency medical services under title XV or XIX of the Social Security Act.

(2) Short-term, non-cash, in-kind emergency disaster relief.
(3)(A) Public health assistance for immunizations.

(B) Public health assistance for testing and treatment of a communicable disease if the Secretary of Health and Human Services determines that it is necessary to prevent the spread of such disease.

(4) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General's sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient's income or resources; and (C) are necessary for the protection of life or safety.

(c) STATE OR LOCAL PUBLIC BENEFIT DEFINED.—

(1) Except as provided in paragraph (2), for purposes of this subchapter the term "State or local public benefit" means—
(A) any grant, contract, loan, professional license, or commercial license provided by an agency of a State or local government or by appropriated funds of a State or local government; and

(B) any retirement, welfare, health, disability, public or assisted housing, postsecondary education, food assistance, unemployment benefit, or any other similar benefit for which payments or assistance are provided to an individual, household, or family eligibility unit by an agency of a State or local government or by appropriated funds of a State or local government.

(2) Such term shall not apply—

(A) to any contract, professional license, or commercial license for a nonimmigrant whose visa for entry is related to such employment in the United States; or

(B) with respect to benefits for an alien who as a work authorized nonimmigrant or as an alien lawfully admitted for permanent residence under the Immigration and Nationality Act qualified for such benefits and for whom the United States under reciprocal treaty agree-
ments is required to pay benefits, as determined
by the Secretary of State, after consultation
with the Attorney General.

(d) State Authority To Provide for Eligibility of Illegal Aliens for State and Local Public Benefits.—A State may provide that an alien who
is not lawfully present in the United States is eligible for
any State or local public benefit for which such alien would
otherwise be ineligible under subsection (a) only through
the enactment of a State law after the date of the enact-
ment of this Act which affirmatively provides for such eli-
gibility.

SEC. 2412. STATE AUTHORITY TO LIMIT ELIGIBILITY OF
QUALIFIED ALIENS FOR STATE PUBLIC BENEFITS.

(a) In General.—Notwithstanding any other provi-
sion of law and except as provided in subsection (b), a
State is authorized to determine the eligibility for any
State public benefits (as defined in subsection (c) of an
alien who is a qualified alien (as defined in section 2431),
a nonimmigrant under the Immigration and Nationality
Act, or an alien who is paroled into the United States
under section 212(d)(5) of such Act for less than one year.

(b) Exceptions.—Qualified aliens under this sub-
section shall be eligible for any State public benefits.
(1) TIME-LIMITED EXCEPTION FOR REFUGEES AND ASYLEES.—

(A) An alien who is admitted to the United States as a refugee under section 207 of the Immigration and Nationality Act until 5 years after the date of an alien’s entry into the United States.

(B) An alien who is granted asylum under section 208 of such Act until 5 years after the date of such grant of asylum.

(C) An alien whose deportation is being withheld under section 243(h) of such Act until 5 years after such withholding.

(2) CERTAIN PERMANENT RESIDENT ALIENS.—

An alien who—

(A) is lawfully admitted to the United States for permanent residence under the Immigration and Nationality Act; and

(B)(i) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying quarters as provided under section 2435, and (ii) did not receive any Federal means-tested public benefit (as defined in section 2403(c)) during any such quarter.
(3) **Veteran and Active Duty Exception.**—

An alien who is lawfully residing in any State and is—

(A) 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,

(B) on active duty (other than active duty for training) in the Armed Forces of the United States, or

(C) the spouse or unmarried dependent child of an individual described in subparagraph (A) or (B).

(4) **Transition for Those Currently Receiving Benefits.**—An alien who on the date of the enactment of this Act is lawfully residing in any State and is receiving benefits on the date of the enactment of this Act shall continue to be eligible to receive such benefits until January 1, 1997.

(c) **State Public Benefits Defined.**—The term "State public benefits" means any means-tested public benefit of a State or political subdivision of a State under which the State or political subdivision specifies the standards for eligibility, and does not include any Federal public benefit.
Subchapter C—Attribution of Income and Affidavits of Support

SEC. 2421. FEDERAL ATTRIBUTION OF SPONSOR'S INCOME AND RESOURCES TO ALIEN.

(a) In General.—Notwithstanding any other provision of law, in determining the eligibility and the amount of benefits of an alien for any Federal means-tested public benefits program (as defined in section 2403(c)), the income and resources of the alien shall be deemed to include the following:

(1) The income and resources of any person who executed an affidavit of support pursuant to section 213A of the Immigration and Nationality Act (as added by section 2423) on behalf of such alien.

(2) The income and resources of the spouse (if any) of the person.

(b) Application.—Subsection (a) shall apply with respect to an alien until such time as the alien—

(1) achieves United States citizenship through naturalization pursuant to chapter 2 of title III of the Immigration and Nationality Act; or

(2)(A) has worked 40 qualifying quarters of coverage as defined under title II of the Social Security Act or can be credited with such qualifying
quarters as provided under section 2435, and (B) did not receive any Federal means-tested public benefit (as defined in section 2403(c)) during any such quarter.

(c) Review of Income and Resources of Alien Upon Reapplication.—Whenever an alien is required to reapply for benefits under any Federal means-tested public benefits program, the applicable agency shall review the income and resources attributed to the alien under subsection (a).

(d) Application.—

(1) If on the date of the enactment of this Act, a Federal means-tested public benefits program attributes a sponsor's income and resources to an alien in determining the alien's eligibility and the amount of benefits for an alien, this section shall apply to any such determination beginning on the day after the date of the enactment of this Act.

(2) If on the date of the enactment of this Act, a Federal means-tested public benefits program does not attribute a sponsor's income and resources to an alien in determining the alien's eligibility and the amount of benefits for an alien, this section shall apply to any such determination beginning 180 days after the date of the enactment of this Act.
SEC. 2422. AUTHORITY FOR STATES TO PROVIDE FOR AT- 
TRIBUTION OF SPONSORS INCOME AND RE-
OURCES TO THE ALIEN WITH RESPECT TO 
STATE PROGRAMS.

(a) OPTIONAL APPLICATION TO STATE PROGRAMS.—
Except as provided in subsection (b), in determining the 
eligibility and the amount of benefits of an alien for any 
State public benefits (as defined in section 2412(c)), the 
State or political subdivision that offers the benefits is au-
thorized to provide that the income and resources of the 
alien shall be deemed to include—

(1) the income and resources of any individual 
who executed an affidavit of support pursuant to 
section 213A of the Immigration and Nationality 
Act (as added by section 2423) on behalf of such 
alien, and

(2) the income and resources of the spouse (if 
any) of the individual.

(b) EXCEPTIONS.—Subsection (a) shall not apply 
with respect to the following State public benefits:

(1) Emergency medical services.

(2) Short-term, non-cash, in-kind emergency 
disaster relief.

(3) Programs comparable to assistance or bene-
fits under the National School Lunch Act.
(4) Programs comparable to assistance or benefits under the Child Nutrition Act of 1966.

(5)(A) Public health assistance for immunizations.

(B) Public health assistance for testing and treatment of a communicable disease if the appropriate chief State health official determines that it is necessary to prevent the spread of such disease.

(6) Payments for foster care and adoption assistance.

(7) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General of a State, after consultation with appropriate agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient’s income or resources; and (C) are necessary for the protection of life or safety.
SEC. 2423. REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT.

(a) IN GENERAL.—Title II of the Immigration and Nationality Act is amended by inserting after section 213 the following new section:

"REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF SUPPORT

"SEC. 213A. (a) ENFORCEABILITY.—(1) No affidavit of support may be accepted 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) unless such affidavit is executed as a contract—

"(A) which is legally enforceable against the sponsor by the sponsored alien, the Federal Government, and by any State (or any political subdivision of such State) which provides any means-tested public benefits program, but not later than 10 years after the alien last receives any such benefit;

"(B) in which the sponsor agrees to financially support the alien, so that the alien will not become a public charge; and

"(C) in which the sponsor agrees to submit to the jurisdiction of any Federal or State court for the purpose of actions brought under subsection (e)(2).

"(2) A contract under paragraph (1) shall be enforceable with respect to benefits provided to the alien until
such time as the alien achieves United States citizenship through naturalization pursuant to chapter 2 of title III.

"(b) FORMS.—Not later than 90 days after the date of enactment of this section, the Attorney General, in consultation with the Secretary of State and the Secretary of Health and Human Services, shall formulate an affidavit of support consistent with the provisions of this section.

"(c) REMEDIES.—Remedies available to enforce an affidavit of support under this section include any or all of the remedies described in section 3201, 3203, 3204, or 3205 of title 28, United States Code, as well as an order for specific performance and payment of legal fees and other costs of collection, and include corresponding remedies available under State law. A Federal agency may seek to collect amounts owed under this section in accordance with the provisions of subchapter II of chapter 37 of title 31, United States Code.

"(d) NOTIFICATION OF CHANGE OF ADDRESS.—

"(1) IN GENERAL.—The sponsor shall notify the Attorney General and the State in which the sponsored alien is currently resident within 30 days of any change of address of the sponsor during the period specified in subsection (a)(2).
“(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 alien has received any means-tested public benefit, not less than $2,000 or more than $5,000.

“(e) REIMBURSEMENT OF GOVERNMENT EXPENSES.—(1)(A) Upon notification that a sponsored alien has received any benefit under any means-tested public benefits program, the appropriate Federal, State, or local official shall request reimbursement by the sponsor in the amount of such assistance.

“(B) The Attorney General, in consultation with the Secretary of Health and Human Services, shall prescribe such regulations as may be necessary to carry out subparagraph (A).

“(2) 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.
“(3) 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.

“(4) No cause of action may be brought under this subsection later than 10 years after the alien last received any benefit under any means-tested public benefits program.

“(5) If, pursuant to the terms of this subsection, a Federal, State, or local agency requests reimbursement from the sponsor in the amount of assistance provided, or brings an action against the sponsor pursuant to the affidavit of support, the appropriate agency may appoint or hire an individual or other person to act on behalf of such agency acting under the authority of law for purposes of collecting any moneys owed. Nothing in this subsection shall preclude any appropriate Federal, State, or local agency from directly requesting reimbursement from a sponsor for the amount of assistance provided, or from bringing an action against a sponsor pursuant to an affidavit of support.

“(f) DEFINITIONS.—For the purposes of this section—

“(1) SPONSOR.—The term ‘sponsor’ means an individual who—
“(A) is a citizen or national of the United States 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 50 States or the District of Columbia; and

“(D) is the person petitioning for the admission of the alien under section 204.

“(2) MEANS-TESTED PUBLIC BENEFITS PROGRAM.—The term ‘means-tested public benefits program’ means a program of public benefits (including cash, medical, housing, and food assistance and social services) of the Federal Government or of a State or political subdivision of a State in which the eligibility of an individual, household, or family eligibility unit for benefits under the program, or the amount of such benefits, or both are determined on the basis of income, resources, or financial need of the individual, household, or unit.”.

(b) CLERICAL AMENDMENT.—The table of contents of such Act is amended by inserting after the item relating to section 213 the following:

“Sec. 213A. Requirements for sponsor's affidavit of support.”.

(c) EFFECTIVE DATE.—Subsection (a) of section 213A of the Immigration and Nationality Act, as inserted by subsection (a) of this section, shall apply to affidavits
of support executed on or after a date specified by the Attorney General, which date shall be not earlier than 60 days (and not later than 90 days) after the date the Attorney General formulates the form for such affidavits under subsection (b) of such section.

(d) Benefits Not Subject to Reimbursement.—Requirements for reimbursement by a sponsor for benefits provided to a sponsored alien pursuant to an affidavit of support under section 213A of the Immigration and Nationality Act shall not apply with respect to the following:

1. Emergency medical services under title XV or XIX of the Social Security Act.
2. Short-term, non-cash, in-kind emergency disaster relief.
3. Assistance or benefits under the National School Lunch Act.
5. (A) Public health assistance for immunizations.
   (B) Public health assistance for testing and treatment of a communicable disease if the Secretary of Health and Human Services determines
that it is necessary to prevent the spread of such disease.

(6) Payments for foster care and adoption assistance under part E of title IV of the Social Security Act for a child, but only if the foster or adoptive parent or parents of such child are not otherwise ineligible pursuant to section 2403 of this Act.

(7) Programs, services, or assistance (such as soup kitchens, crisis counseling and intervention, and short-term shelter) specified by the Attorney General, in the Attorney General’s sole and unreviewable discretion after consultation with appropriate Federal agencies and departments, which (A) deliver in-kind services at the community level, including through public or private nonprofit agencies; (B) do not condition the provision of assistance, the amount of assistance provided, or the cost of assistance provided on the individual recipient’s income or resources; and (C) are necessary for the protection of life or safety.

SEC. 2424. COSIGNATURE OF ALIEN STUDENT LOANS.

Section 484(b) of the Higher Education Act of 1965 (20 U.S.C. 1091(b)) is amended by adding at the end the following new paragraph:

"(6) Notwithstanding sections 427(a)(2)(A), 428B(a), 428C(b)(4)(A), and 464(c)(1)(E), or any other provision of this title, a student who is an alien lawfully admitted for permanent residence under the Immigration and Nationality Act shall not be eligible for a loan under this title unless the loan is endorsed and cosigned by the alien's sponsor under section 213A of the Immigration and Nationality Act or by another creditworthy individual who is a United States citizen."

Subchapter D—General Provisions

SEC. 2431. DEFINITIONS.

(a) IN GENERAL.—Except as otherwise provided in this chapter, the terms used in this chapter have the same meaning given such terms in section 101(a) of the Immigration and Nationality Act.

(b) QUALIFIED ALIEN.—For purposes of this chapter, the term "qualified alien" means an alien who, at the time the alien applies for, receives, or attempts to receive a Federal public benefit, is—

(1) an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act,
(2) an alien who is granted asylum under section 208 of such Act,

(3) a refugee who is admitted to the United States under section 207 of such Act,

(4) an alien who is paroled into the United States under section 212(d)(5) of such Act for a period of at least 1 year,

(5) an alien whose deportation is being withheld under section 243(h) of such Act, or

(6) an alien who is granted conditional entry pursuant to section 203(a)(7) of such Act as in effect prior to April 1, 1980.

SEC. 2432. VERIFICATION OF ELIGIBILITY FOR FEDERAL PUBLIC BENEFITS.

(a) 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 public benefit (as defined in section 2401(c)), to which the limitation under section 2401 applies, is a qualified alien 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 ex-
changed under section 1137 of the Social Security Act.

(b) STATE COMPLIANCE.—Not later than 24 months
after the date the regulations described in subsection (a)
are adopted, a State that administers a program that pro-
vides a Federal public benefit shall have in effect a ver-
ification system that complies with the regulations.

(c) AUTHORIZATION OF APPROPRIATIONS.—There
are authorized to be appropriated such sums as may be
necessary to carry out the purpose of this section.

SEC. 2433. STATUTORY CONSTRUCTION.

(a) LIMITATION.—

(1) Nothing in this chapter may be construed
as an entitlement or a determination of an individ-
ual's eligibility or fulfillment of the requisite require-
ments for any Federal, State, or local governmental
program, assistance, or benefits. For purposes of
this chapter, eligibility relates only to the general
issue of eligibility or ineligibility on the basis of
alienage.

(2) Nothing in this chapter may be construed
as addressing alien eligibility for a basic public edu-
cation as determined by the Supreme Court of the
United States under Plyler v. Doe (457 U.S.
202)(1982).
(b) **NOT APPLICABLE TO FOREIGN ASSISTANCE.**—

This chapter does not apply to any Federal, State, or local governmental program, assistance, or benefits provided to an alien under any program of foreign assistance as determined by the Secretary of State in consultation with the Attorney General.

(c) **SEVERABILITY.**—If any provision of this chapter or the application of such provision to any person or circumstance is held to be unconstitutional, the remainder of this chapter and the application of the provisions of such to any person or circumstance shall not be affected thereby.

**SEC. 2434. COMMUNICATION BETWEEN STATE AND LOCAL GOVERNMENT AGENCIES AND THE IMMIGRATION AND NATURALIZATION SERVICE.**

Notwithstanding any other provision of Federal, State, or local law, no State or local government entity may be prohibited, or in any way restricted, from sending to or receiving from the Immigration and Naturalization Service information regarding the immigration status, lawful or unlawful, of an alien in the United States.

**SEC. 2435. QUALIFYING QUARTERS.**

For purposes of this chapter, in determining the number of qualifying quarters of coverage under title II of the Social Security Act an alien shall be credited with—
(1) all of the qualifying quarters of coverage as defined under title II of the Social Security Act worked by a parent of such alien while the alien was under age 18 if the parent did not receive any Federal means-tested public benefit (as defined in section 2403(c)) during any such quarter, and

(2) all of the qualifying quarters worked by a spouse of such alien during their marriage if the spouse did not receive any Federal means-tested public benefit (as defined in section 2403(c)) during any such quarter and the alien remains married to such spouse or such spouse is deceased.

Subchapter E—Conforming Amendments Relating to Assisted Housing

SEC. 2441. CONFORMING AMENDMENTS RELATING TO ASSISTED HOUSING.

(a) LIMITATIONS ON ASSISTANCE.—Section 214 of the Housing and Community Development Act of 1980 (42 U.S.C. 1436a) is amended—

(1) by striking “Secretary of Housing and Urban Development” each place it appears and inserting “applicable Secretary”;

(2) in subsection (b), by inserting after “National Housing Act,” the following: “the direct loan program under section 502 of the Housing Act of...
1949 or section 502(c)(5)(D), 504, 521(a)(2)(A), or 542 of such Act, subtitle A of title III of the Cran- ston-Gonzalez National Affordable Housing Act.";

(3) in paragraphs (2) through (6) of subsection (d), by striking "Secretary" each place it appears and inserting "applicable Secretary";

(4) in subsection (d), in the matter following paragraph (6), by striking "the term 'Secretary'" and inserting "the term 'applicable Secretary'; and

(5) by adding at the end the following new sub-
section:

"(h) For purposes of this section, the term 'applicable Secretary' means—

"(1) the Secretary of Housing and Urban De-
velopment, with respect to financial assistance ad-
ministered by such Secretary and financial assis-
tance under subtitle A of title III of the Cran-
ston-Gonzalez National Affordable Housing Act; and

"(2) the Secretary of Agriculture, with respect to financial assistance administered by such Sec-
retary.".

(b) CONFORMING AMENDMENTS.—Section 501(h) of the Housing Act of 1949 (42 U.S.C. 1471(h)) is amend-
ed—

(1) by striking "(1)";

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(2) by striking "by the Secretary of Housing and Urban Development"; and
(3) by striking paragraph (2).

Subchapter F—Earned Income Credit Denied to Unauthorized Employees

SEC. 2451. EARNED INCOME CREDIT DENIED TO INDIVIDUALS NOT AUTHORIZED TO BE EMPLOYED IN THE UNITED STATES.

(a) IN GENERAL.—Section 32(c)(1) of the Internal Revenue Code of 1986 (relating to individuals eligible to claim the earned income 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 of such Code is amended by adding at the end the following new subsection:
“(I) IDENTIFICATION NUMBERS.—Solely for purposes of subsections (c)(1)(F) and (c)(3)(D), a taxpayer identification number means a social security number issued to an individual by the Social Security Administration (other than a social security number issued pursuant to clause (II) (or that portion of clause (III) that relates to clause (II)) of section 205(c)(2)(B)(i) of the Social Security Act).”.

(c) EXTENSION OF PROCEDURES APPLICABLE TO MATHEMATICAL OR CLERICAL ERRORS.—Section 6213(g)(2) of such Code (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 inserting after subparagraph (E) the following new subparagraphs:

“(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 section 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

CHAPTER 5—REDUCTIONS IN FEDERAL
GOVERNMENT POSITIONS

SEC. 2501. 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 this Act (other than
chapter 2 of this subtitle) that the Department is re-
quired to carry out, and amendments and repeals
made by such Act to provisions of Federal law that
the Department is required to carry out, are effec-
tive.

(2) COVERED ACTIVITY.—The term “covered
activity”, used with respect to a Department re-
ferred to in this section, means an activity that the
Department is required to carry out under—

(A) a provision of this Act (other than
chapter 2 of this subtitle); or
trol Act of 1985, shall be reduced, as calculated by the
Director of the Office of Management and Budget, in
amounts equal to the aggregate amounts of savings result-
ing from the reductions imposed as a result of this chapter
in each of fiscal years 1997 and 1998.

CHAPTER 6—REFORM OF PUBLIC
HOUSING

SEC. 2601. FAILURE TO COMPLY WITH OTHER WELFARE
AND PUBLIC ASSISTANCE PROGRAMS.

Title I of the United States Housing Act of 1937 (42
U.S.C. 1437 et seq.), as amended by section 2404(d) of
this Act, is amended by adding at the end the following
new section:

"SEC. 28. FAILURE TO COMPLY WITH OTHER WELFARE AND
PUBLIC ASSISTANCE PROGRAMS.

“(a) In General.—If the benefits of a family are
reduced under a Federal, State, or local law relating to
welfare or a public assistance program for the failure of
any member of the family to perform an action required
under the law or program, the family may not, for the
duration of the reduction, receive any increased assistance
under this Act as the result of a decrease in the income
of the family to the extent that the decrease in income
is the result of the benefits reduction."
"(b) EXCEPTION.—Subsection (a) shall not apply in any case in which the benefits of a family are reduced because the welfare or public assistance program to which the Federal, State, or local law relates limits the period during which benefits may be provided under the program."

SEC. 2602. 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 welfare or a public assistance program are reduced because 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 decrease 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" includes 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

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CHAPTER 7—TECHNICAL AMENDMENTS RELATING TO CHILD PROTECTION PROGRAMS

SEC. 2701. EXTENSION OF ENHANCED FUNDING FOR IMPLEMENTATION OF STATEWIDE AUTOMATED CHILD WELFARE INFORMATION SYSTEMS.

Section 474(a)(3)(B) of the Social Security Act (42 U.S.C. 674(a)(3)(B)) is amended by inserting "(of, if the quarter is in fiscal year 1997, 75 percent)" after "50 percent" each place it appears.

SEC. 2702. REDESIGNATION OF SECTION 1123.

The Social Security Act is amended by redesignating section 1123, the second place it appears (42 U.S.C. 1320a–1a), as section 1123A.

CHAPTER 8—CHILD CARE

SEC. 2801. SHORT TITLE AND REFERENCES.

(a) SHORT TITLE.—This chapter may be cited as the "Child Care and Development Block Grant Amendments of 1996".

(b) REFERENCES.—Except as otherwise expressly provided, whenever in this chapter an amendment or repeal is expressed in terms of an amendment to, or repeal

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of, a section or other provision, the reference shall be con-
considered to be made to a section or other provision of the
Child Care and Development Block Grant Act of 1990 (42
U.S.C. 9858 et seq.).

SEC. 2802. GOALS.

(a) GOALS.—Section 658A (42 U.S.C. 9801 note) is
amended—

(1) in the section heading by inserting "AND
GOALS" after "TITLE";

(2) by inserting "(a) SHORT TITLE.—" before
"This"; and

(3) by adding at the end the following:

"(b) GOALS.—The goals of this subchapter are—

"(1) to allow each State maximum flexibility in
developing child care programs and policies that best
suit the needs of children and parents within such
State;

"(2) to promote parental choice to empower
working parents to make their own decisions on the
child care that best suits their family's needs;

"(3) to encourage States to provide consumer
education information to help parents make in-
formed choices about child care;
a report analyzing the final allotments under paragraph (3) and the extent to which they comply with the precise requirements of this section.

"(5) Transitional Rule for Fiscal Year 1997.—With respect to fiscal year 1997, the deadlines under the previous provisions of this subsection shall be extended by a number of days equal to the number of days between May 1, 1996, and the date of the enactment of this title.

"(f) Supplemental Allotment for Certain Health Care Services to Certain Aliens.—

"(1) In general.—For purposes of this section for each of fiscal years 1998 through 2002 in the case of a subsection (f) supplemental allotment eligible State, the amount of the supplemental allotment under this subsection is the amount provided under paragraph (2) for the State for that year. Such amount may only be used for the purpose of providing medical assistance for care and services for aliens described in paragraph (1) of section 1513(f) and for which the exception described in paragraph (2) of such section applies. Section 1512(f)(4) shall apply to such assistance in the same manner as it applies to medical assistance described in such section.
"(2) SUPPLEMENTAL AMOUNT.—

"(A) IN GENERAL.—For purposes of paragraph (1), the supplemental amount for a subsection (f) supplemental allotment eligible State for a fiscal year is equal to the subsection (f) supplemental allotment ratio (as defined in subparagraph (C)) multiplied by the subsection (f) supplemental pool amount (specified in subparagraph (D)) for the fiscal year.

"(B) SUBSECTION (f) SUPPLEMENTAL ALLOTMENT ELIGIBLE STATE.—In this subsection, the term 'subsection (f) supplemental allotment eligible State' means one of the 15 States with the highest ratio of undocumented alien residents to the total population for such State.

"(C) SUBSECTION (f) SUPPLEMENTAL ALLOTMENT RATIO.—In this paragraph, the 'subsection (f) supplemental allotment ratio' for a State is the ratio of—

"(i) the number of undocumented aliens residing in the State, to

"(ii) the sum of such numbers for all subsection (f) supplemental allotment eligible States.
"(D) SUBSECTION (f) SUPPLEMENTAL POOL AMOUNT.—In this paragraph, the 'subsection (f) supplemental pool amount'—

"(i) for fiscal year 1998 is $389,800,000,

"(ii) for fiscal year 1999 is $489,800,000,

"(iii) for fiscal year 2000 is $589,800,000,

"(iv) for fiscal year 2001 is $689,800,000, and

"(v) for fiscal year 2002 is $789,800,000.

"(E) DETERMINATION OF NUMBER.—

"(i) IN GENERAL.—The number of undocumented aliens residing in a State under this paragraph—

"(I) for fiscal year 1998 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, and
“(II) for a subsequent fiscal year shall be determined based on the most recent updated estimate made under clause (ii).

“(ii) UPDATING ESTIMATE.—For each fiscal year beginning with fiscal year 1999, the Secretary, in consultation with the Commission of the Immigration and Naturalization Service, States, and outside experts, shall estimate the number of undocumented aliens residing in each of the 50 States and the District of Columbia.

“(g) SUPPLEMENTAL PER BENEFICIARY UMBRELLA ALLOTMENT FOR STATES WITH EXCESS GROWTH IN CERTAIN POPULATION GROUPS.—

“(1) IN GENERAL.—Subject to paragraphs (5) through (7), for purposes of this section the amount of the supplemental allotment under this subsection for a State for a fiscal year (beginning with fiscal year 1997) is the sum, for each supplemental allotment population group described in paragraph (2), of the product of the following:

“(A) EXCESS NUMBER OF INDIVIDUALS.—

The excess number of individuals (if any, deter-
mined under paragraph (3)) for State and the fiscal year who are in the population group.

"(B) APPLICABLE PER BENEFICIARY AMOUNT.—The applicable per beneficiary amount (determined under paragraph (4)) for the State and fiscal year for the population group.

"(C) FMAP.—The old Federal medical assistance percentage (as defined in section 1512(d)) for the State and fiscal year.

"(2) SUPPLEMENTAL ALLOTMENT POPULATION GROUP.—In this subsection, each of the following shall be considered to be a separate ‘supplemental allotment population group’:

"(A) POOR PREGNANT WOMEN.—Individuals described in section 1501(a)(1)(A).

"(B) POOR CHILDREN.—Individuals (not described in subparagraph (C))—

"(i) described in subparagraph (B) or (C) of section 1501(a)(1), or

"(ii) described in subparagraph (F) or (G) of section 1501(a)(1) who are under 21 years of age and who are not pregnant women.
“(C) POOR DISABLED INDIVIDUALS.—Only in the case of a State that has elected the option (of guaranteeing coverage of disabled individuals) described in section 1501(a)(1)(D)(ii) for the fiscal year (and, in the case of a fiscal year after fiscal year 1997, for the previous fiscal year), individuals—

“(i) who are described in such section;

or

“(ii) who are described in section 1502(a) under paragraph (1) of that section.

“(D) POOR ELDERLY INDIVIDUALS.—Individuals who are—

“(i) described in section 1501(a)(1)(E); or

“(ii) described in section 1502(a) under paragraph (2) of that section.

“(E) QUALIFIED MEDICARE BENEFICIARIES.—Individuals described in section 1501(b)(1)(A) who are not described in subparagraph (D).

“(F) QUALIFIED DISABLED AND WORKING INDIVIDUALS.—Individuals described in section
(G) Certain other Medicare beneficiaries.—Individuals described in section 1501(b)(1)(B) who are not described in subparagraph (D).

(H) Other poor adults.—Individuals described in section 1501(a)(1)(G) who are not within a population group described in a previous subparagraph.

(3) Excess number of individuals.—

(A) In general.—In this subsection, the ‘excess number of individuals’, for a State for a fiscal year with respect to a supplemental allotment population group, is equal to the amount (if any) by which—

(i) the number of full-year equivalent individuals in the population group for the State and fiscal year, exceeds

(ii) the anticipated number of such individuals (as determined under subparagraph (B)) for the State and fiscal year in such group.

(B) Anticipated number.—
“(i) IN GENERAL.—In subparagraph (A)(ii), the ‘anticipated number’ of individuals for a State in a supplemental allotment population group for—

“(I) fiscal year 1997 is equal to the number of full-year equivalent individuals in such group enrolled in the State medicaid plan under title XIX in fiscal year 1996 increased by the percentage increase factor (described in clause (ii)) for fiscal year 1997; or

“(II) a subsequent fiscal year is equal to the number of full-year equivalent individuals in the population group for the State for the previous fiscal year increased by the percentage increase factor (described in clause (ii)) for that subsequent fiscal year.

“(ii) PERCENTAGE INCREASE FACTOR.—For purposes of this subparagraph, the ‘percentage increase factor’ for a fiscal year is equal to zero or, if greater, the number of percentage points by which (I) the State percentage growth factor (as defined in subparagraph (C)) for the fiscal
year, exceeds (II) the percentage increase
in the consumer price index for all urban
consumers (U.S. city average) during the
12-month period beginning with July be-
before the beginning of the fiscal year.

"(C) State percentage growth fac-
tor.—In this paragraph, the term 'State per-
centage growth factor' means, for a State for a
fiscal year, the percentage by which (i) the
State outlay allotment for the State for the fis-
cal year (determined under this section without
regard to this subsection or subsection (f) or
(h)), exceeds (ii) such outlay allotment for such
State for the preceding fiscal year (as so deter-
mined).

"(D) Individuals count only once.—
An individual may at any time not be counted
in more than one supplemental allotment popu-
lation group.

"(4) Applicable per beneficiary
amount.—

"(A) In general.—In this subsection,
subject to subparagraph (D), the 'applicable per
beneficiary amount', for a State for a fiscal
year for a supplemental allotment population
group, is equal to the base per beneficiary amount (determined under subparagraph (B)) for the State for the group, increased by the Secretary's estimate of the increase in the per beneficiary expenditures under this title (and title XIX) for States between fiscal year 1995 and fiscal year 1996, and further increased (for each subsequent fiscal year up to the fiscal year involved and in a compounded manner) by the CPI increase factor (as defined in subparagraph (C)) for each such fiscal year.

"(B) Base per beneficiary amount.—

"(i) In general.—The Secretary shall determine for each State a base per beneficiary amount for each supplemental allotment population group equal to—

"(I) the sum of the total expenditure amounts described in clauses (ii) and (iii), divided by

"(II) the full-year equivalent number of such individuals in such group enrolled under the State plan under title XIX for fiscal year 1995.

"(ii) Medical assistance expenditures.—The total expenditure amount de-
scribed in this clause, with respect to a supplemental allotment population group, is the total amount of expenditures for which Federal financial participation was provided to the State under paragraphs (1) and (5) of section 1903(a) for fiscal year 1995 with respect to medical assistance furnished with respect to individuals included in such group. Such amount shall not include expenditures attributable to payment adjustments under section 1923.

"(iii) ADMINISTRATIVE EXPENDITURES.—The total expenditure amount described in this clause, with respect to a supplemental allotment population group, is the product of—

"(I) the total amount of administrative expenditures for which Federal financial participation was provided to the State under section 1903(a) (other than paragraphs (1) and (5) of such section) for fiscal year 1995, and

"(II) the ratio described in clause (iv) for the population group.
"(iv) Ratio described.—The ratio described in this clause for a group is the ratio of—

"(I) the total amount of expenditures described in clause (ii) for the group, to

"(II) the total amount of expenditures described in such clause for all individuals under the State plan under title XIX in the base fiscal year.

"(C) CPI increase factor.—In subparagraph (A), the 'CPI increase factor' for a fiscal year is the percentage by which—

"(i) the Secretary's estimate of the average value of the consumer price index for all urban consumers (all items, U.S. city average) for months in the fiscal year, exceeds

"(ii) the average value of such index for months in the previous fiscal year.

"(D) Special rules for certain Medicare beneficiaries.—

"(i) Qualified disabled and working individuals.—In the case of
the supplemental allotment population group described in paragraph (2)(F), the ‘applicable per beneficiary amount’, for all States for a fiscal year is the sum of the medicare premiums applied under section 1818A for months in the fiscal year.

“(ii) Other Medicare Beneficiaries.—In the case of the supplemental allotment population group described in paragraph (2)(G), the ‘applicable per beneficiary amount’, for all States for a fiscal year is the sum of the medicare premiums applied under section 1839 for months in the fiscal year.

“(5) Conditions for Access to Umbrella Supplemental Allotment.—

“(A) In General.—A State may receive a supplemental umbrella allotment under this subsection for a fiscal year only if the following conditions are met:

“(i) The State provides assurances satisfactory to the Secretary that it will obligate during the fiscal year the full amount of the allotment otherwise provided under this section for the fiscal year.
“(ii) The State provides assurances satisfactory to the Secretary that any amount attributable to a carryover from a previous fiscal year under subsection (a)(2)(B) shall also be obligated under the plan by the end of the fiscal year.

“(iii) The State submits to the Secretary on a periodic basis such reports on numbers of individuals within each supplemental allotment population group as the Secretary may determine necessary to assure the accuracy of the supplemental umbrella allotments under this subsection. The Secretary may not require the submission of such reports more frequently than quarterly.

“(iv) The State provides assurances satisfactory to the Secretary that it has in effect such data collection procedures as may be necessary to provide for the reports described in clause (iii).

“(B) ESTIMATE.—The amount of any supplemental allotment under this subsection shall be estimated in advance of the fiscal year involved, based on data required to be reported
under subparagraph (A)(iii). The Secretary is authorized to adjust such data on a preliminary basis if the Secretary determines that the estimates do not reasonably reflect the actual excess number of individuals in the supplemental allotment population groups for the fiscal year involved. Section 1512(b)(6) provides for adjustment of payments of the supplemental allotment under this subsection based on a final determination using data on actual numbers of individual in each supplemental allotment population group.

"(6) ADJUSTMENT IN ALLOTMENT FOR SAVINGS FROM SLOWER POPULATION GROWTH.—

"(A) IN GENERAL.—The amount of the supplemental umbrella allotment to a State under this subsection for a fiscal year shall be reduced (but not below zero) by the sum, for each supplemental allotment population group described in paragraph (2), of the product of the following:

"(i) LESS-THAN-ANTICIPATED NUMBER OF INDIVIDUALS.—The less-than-anticipated number of individuals (if any, determined under subparagraph (B)) for
State and the fiscal year who are in the population group.

"(ii) APPLICABLE PER BENEFICIARY AMOUNT.—The applicable per beneficiary amount (determined under paragraph (4)) for the State and fiscal year for the population group.

"(iii) FMAP.—The old Federal medical assistance percentage (as defined in section 1512(d)) for the State and fiscal year.

"(B) LESS-THAN-ANTICIPATED NUMBER OF INDIVIDUALS.—In this paragraph, the 'less-than-anticipated number of individuals', for a State for a fiscal year with respect to a supplemental allotment population group, is equal to the amount (if any) by which—

"(i) the anticipated number of such individuals (as determined under paragraph (3)(B)) for the State and fiscal year in such group, exceeds

"(ii) the number of full-year equivalent individuals in the population group for the State and fiscal year.
“(7) SPECIAL RULE FOR FISCAL YEAR 1997.—

In applying this subsection to fiscal year 1997—

“(A) in determining the excess number of 

individuals under paragraph (3)—

“(i) the number of full-year equivalent 

individuals shall only be determined based 

on the portion of fiscal year 1997 in which 

the State plan is in effect under this title, 

and 

“(ii) the anticipated number of such 

individuals (referred to in paragraph 

(3)(A)(ii)) shall be the anticipated number 

otherwise determined multiplied by the 

proportion of fiscal year 1997 in which 

such State plan will be in effect; and 

“(B) if the State plan is effective before 

April 1, 1997, the amount of the supplemental 

allotment otherwise determined under this sub-

section shall be multiplied by the ratio of the 

portion of fiscal year 1997 that occurs on or 

after April 1, 1997, to the total portion of such 

fiscal year in which the State plan is in effect.

“SEC. 1512. PAYMENTS TO STATES.

“(a) AMOUNT OF PAYMENT.—From the allotment of 

a State under section 1511 for a fiscal year, subject to
the succeeding provisions of this title, the Secretary shall
pay to each State which has a State plan approved under
part C, for each quarter in the fiscal year—

“(1) an amount equal to the applicable Federal
medical assistance percentage (as defined in sub-
section (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 1571(g)); plus

“(3) subject to section 1513(c)—

“(A) an amount equal to 90 percent of the
amounts expended during such quarter for the
design, development, and installation of inform-
ation systems and for providing incentives to
promote the enforcement of medical support or-
ders, 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 infor-
mation systems, quality assurance activities,
utilization review, medical and peer review,
anti-fraud activities, independent evaluations,
independent, external quality review programs
for capitated health care organizations, coordi-
nation of benefits, and meeting reporting re-
quirements under this title, plus

"(C) an amount equal to 50 percent of so
much of the remainder of the amounts ex-
pended 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 be-
ingning 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 contain-
ing its estimate of the total sum to be expended in
such quarter in accordance with the provisions of
such subsections, and stating the amount appro-
priated or made available by the State and its politi-
cal subdivisions for such expenditures in such quar-
ter, and if such amount is less than the State’s pro-
portionate share of the total sum of such estimated
expenditures, the source or sources from which the
difference is expected to be derived, and (B) such
other investigation as the Secretary may find nec-
essary.

"(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 1555.
"(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 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) or in the case described in paragraph (6)(C), and such State disputes such disallowance or an adjustment under such paragraph, 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 respect to such payment amount. If such final determination is to the effect that any amount was properly disallowed, and the State chose to retain payment 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 (determined by the Secretary) based on the average of the bond equivalent of the weekly 90-day treasury bill auction rates during such period.

"(6) ADJUSTMENTS IN PAYMENTS REFLECTING OVER- AND UNDER-ESTIMATIONS OF SUPPLEMENTAL UMBRELLA ALLOTMENT.—

"(A) IN GENERAL.—Based on data reported under section 1511(g)(5)(A)(iii) and annual audits provided for under section 1551(a) on the actual excess number of individuals in each population group for a fiscal year, the Secretary shall determine the final amount of the supplemental umbrella allotment for each State for the fiscal year and whether, based on such final amount, the amount of payment made for the fiscal year was greater, or less, than the amount that should have been paid if payments had been made based on such final amount.
“(B) Payment in case of underestimation.—If the Secretary determines under subparagraph (A) there was an underpayment to a State, the Secretary shall increase the amount of the next quarterly payment under this section to the State by the amount of such underpayment.

“(C) offsetting of payments in case of overestimation.—If the Secretary determines under subparagraph (A) there was an overpayment to a State, the Secretary shall, subject to the procedures provided under paragraph (5), decrease the amount of the payment for the next quarter (or, at the discretion of the Secretary, over a period of not more than 4 calendar quarters) by the amount of such overpayment. In the case in which a State seeks review of such a determination in accordance with the procedures under paragraph (5), the Secretary shall provide for completion of such review process within 1 year after the date the State requests such review.

“(c) applicable Federal Medical Assistance percentage defined.—In this section, except as provided in subsection (f), the term ‘applicable Federal medi-
The 'old Federal medical 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 percentage (as determined in subsection (d));

"(2) the lesser of—

"(A) new Federal medical assistance percentage (as determined under subsection (e)) or

"(B) the old Federal medical assistance percentage plus 10 percentage points; or

"(3) 60 percent.

"(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.

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“(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 subparagraph (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 recent 3-year average of the total taxable resources (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 1511(d)) for the State for the fiscal year, divided by

“(ii) the sum 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 60 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) ALASKA.—In the case of Alaska, the old Federal medical assistance percentage is that percentage which bears the same ratio to 45 percent as the square of the adjusted per capita income of such State bears to the square of the per capita income of the continental United States. For purposes of the preceding sentence, the adjusted per capita income for Alaska shall be determined by dividing the State’s most recent 3-year average per capita by the health care cost index for such State (as determined under section 1511(d)(3)).

“(3) INDIAN HEALTH SERVICE AND RELATED FACILITIES AND PROGRAMS.—

“(A) FISCAL YEAR 1997.—

“(i) IN GENERAL.—During fiscal year 1997, the Secretary shall reimburse a State for amounts expended under the State plan as medical assistance for services which are received 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) in the same manner and under the same Federal medical assistance...
percentage as such amounts were reim-
bursed under title XIX (as in effect on
June 1, 1996).

“(ii) ELIGIBLE PROVIDERS UNDER A
STATE PLAN.—A program described in
subclause (II) or (III) of clause (iii) shall
be an eligible provider under the State
plan of the State in which such program is
located and may receive reimbursement
under the State plan for medical assistance
for services provided by such program.

“(iii) RULE OF CONSTRUCTION.—
Nothing in clause (i) or (ii) shall be con-
strued as increasing the obligation or out-
lay allotment established for a State under
section 1511 for fiscal year 1997.

“(B) FISCAL YEAR 1998 AND THERE-
AFTER.—Beginning on October 1, 1997, the
following shall apply:

“(i) PROVIDERS UNDER A STATE
PLAN.—

“(I) IN GENERAL.—Subject to
the succeeding provisions of this para-
graph, a facility or program described
in clause (iii) shall be an eligible pro-
provider under the State plan of the State in which such facility or program is located and shall receive payments under the State plan for medical assistance for services provided at such facility or by such program.

“(II) ELECTION OF PROVIDER REIMBURSEMENT RATE.—A facility or program described in clause (iii) shall elect one of the following provider reimbursement rates to apply to medical assistance provided by such facility or through such program under the State plan:

“(aa) The provider reimbursement rate established under the State plan of the State in which such facility or program is located.

“(bb) The provider reimbursement rate established by the Secretary for such facilities or programs.

“(ii) FEDERAL INDIAN MEDICAID ALLOCATION.—
"(I) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1998 through 2002, $2,401,000,000 for reimbursement of amounts expended as medical assistance for services provided by a facility or program described in clause (iii).

"(II) REIMBURSEMENT TO STATES.—Subject to the limitation for a fiscal year described in subclause (III), the Secretary shall reimburse a State with one or more facilities or programs described in clause (iii) for payments made under the State plan for medical assistance provided by such facilities or through such programs.

"(III) LIMITATION ON REIMBURSEMENT.—Subject to subclause (IV), the total amount paid with respect to the amounts expended as medical assistance for services provided by facilities or programs de-
scribed in clause (iii) shall not exceed
the following:

“(aa) For fiscal year 1998, 
$393,100,000.
“(bb) For fiscal year 1999, 
$459,200,000.
“(cc) For fiscal year 2000, 
$486,300,000.
“(dd) For fiscal year 2001, 
$515,500,000.
“(ee) For fiscal year 2002, 
$546,900,000.
“(IV) CARRYOVER PERMITTED.—
The limitation described in subclause
(II) for a fiscal year shall be increased
by the amount, if any, of any funds
remaining from the limitation de-
scribed in such subclause for the pre-
ceding fiscal year.
“(iii) FMAP.—The old and new Fed-
eral medical assistance percentages shall
be 100 percent with respect to the
amounts expended as medical assistance
for services provided by—
"(I) an Indian Health Service facility;

“(II) an Indian health program operated by an Indian tribe or tribal organization (as defined in section 4 of the Indian Health Care Improvement Act) pursuant to a contract, grant, cooperative agreement, or compact with the Indian Health Service under the Indian Self-Determination Act; or

“(III) an urban Indian health program operated by an urban Indian organization pursuant to a grant or contract with the Indian Health Service under title V of the Indian Health Care Improvement Act.

“(iv) NO COST-SHARING.—Notwithstanding the provisions of section 1503 or any other provision of this title, no State plan shall impose any cost-sharing, as defined in section 1503(g), on any individual who is an Indian for services provided to such an individual by a facility or program described in clause (iii).
“(v) AGREEMENTS BETWEEN STATES AND INDIAN TRIBES.—A State and an Indian tribe may enter into an agreement for the provision of medical services that are not inconsistent with the provisions of this paragraph.

“(C) INDIAN AND INDIAN TRIBE DEFINED.—For purposes of this title, the terms ‘Indian’ and ‘Indian tribe’ have the meaning given such terms in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b(d)).

“(D) STUDY.—The Comptroller General shall study the impact of the amendment to the Social Security Act made by section 2923 of the Medicaid Restructuring Act of 1996 on the provision of health care to Indians and, beginning October 1, 1996, and every third fiscal year thereafter, shall submit a report to the Congress containing the findings and recommendations resulting from such study.

“(4) 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-
section 1513(f)(2), payment shall be made for the amount of such assistance without regard to any need for a State match.

"(5) SPECIAL TRANSITIONAL RULE.—

"(A) IN GENERAL.—Notwithstanding subsections (a) and (f), in order to receive the full State outlay allotment described in section 1511(e)(3)(C)(i), a State described in subparagraph (C) shall expend State funds in a fiscal year (before fiscal year 2000) under a State plan under this title in an amount not less than the adjusted base year State expenditures, plus the applicable percentage of the difference between such expenditures and the amount necessary to qualify for the full State outlay allotment so described in such fiscal year as determined under this section without regard to this paragraph.

"(B) REDUCTION IN ALLOTMENT IF EXPENDITURE NOT MET.—In the event a State described in subparagraph (C) fails to expend State funds in an amount required by subparagraph (A) for a fiscal year, the outlay allotment described in section 1511(e)(3)(C)(i) for such year for such State shall be reduced by an
amount which bears the same ratio to such out-
lay allotment as the State funds expended in
such fiscal year bears to the amount required
by subparagraph (A).

"(C) ADJUSTED BASE YEAR STATE EXPENDITURES.—For purposes of this paragraph,
the term "adjusted base year State expendi-
tures" means, for Louisiana, $355,000,000.

"(D) APPLICABLE PERCENTAGE.—For
purposes of this paragraph, the applicable per-
centage for a fiscal year is specified in the fol-
lowing table:

<table>
<thead>
<tr>
<th>Fiscal year:</th>
<th>Applicable Percentage:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>20</td>
</tr>
<tr>
<td>1997</td>
<td>40</td>
</tr>
<tr>
<td>1998</td>
<td>60</td>
</tr>
<tr>
<td>1999</td>
<td>80</td>
</tr>
</tbody>
</table>

"(6) TREATMENT OF EXPENDITURES ATTRIB-
UTEABLE TO UMBRELLA FUND.—The "applicable Fed-
eral medical assistance percentage" with respect to
amounts attributable to supplemental amounts de-
dcribed in section 1511(g), is the old Federal medi-
cal assistance percentage.

"(g) USE OF LOCAL FUNDS.—

"(1) IN GENERAL.—Subject to paragraph (2), a
State may use local funds to meet the non-Federal
share of the expenditures under the State plan with
respect to which payments may be made under this section.

"(2) LIMITATION.—For any fiscal year local funds may not exceed 40 percent of the total of the non-Federal share of such expenditures for the fiscal year.

"(h) PERMITTING INTER-GOVERNMENTAL FUNDS TRANSFERS.—

"(1) IN GENERAL.—Public funds, as defined in paragraph (2), may be considered as the State's share in determining State financial participation under this title.

"(2) PUBLIC FUNDS DEFINED.—For purposes of this subsection, the term 'public funds' means funds—

"(A) that are—

"(i) appropriated directly to the State or to the local agency administering the State plan under this title, or transferred from other public agencies (including Indian tribes) to the State or local agency and under its administrative control, or

"(ii) certified by the contributing public agency as representing expenditures eli-
(B) that—

"(i) are not Federal funds, or

"(ii) are Federal funds authorized by

Federal law to be used to match other

Federal funds.

"(i) Application of Provider Tax and Donation

Restrictions.—The provisions of section 1903(w) (as in
effect on June 1, 1996) shall apply under this title in the
same manner as they applied under title XIX (as of such
date).

"Sec. 1513. Limitation on Use of Funds; Disallow-

ance.

"(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.— Subparagraph (A) shall not apply to emergency items or services, not including hospital emergency room services.

"(c) LIMITATIONS ON PAYMENTS FOR MEDICALLY-RELATED SERVICES AND ADMINISTRATIVE EXPENSES.— "(1) IN GENERAL.—No Federal financial assistance is available for expenditures under the State 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 State 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 1557.

"(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 State plan to the extent that a private insurer (as defined by the Secretary by regulation and in-
eluding 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) SECONDARY PAYER PROVISIONS.—Except as otherwise provided by law, no payment shall be made to a State under this part for expenditures for medical assistance provided for an individual under its State plan to the extent that payment has been made or can reasonably be expected to be made promptly (as determined in accordance with regulations) under any other federally operated or financed health care insurance program, other than an insurance program operated or financed by the Indian Health Service, as identified by the Secretary. For purposes of this subsection, rules similar to the rules for overpayments under section 1512(b) shall apply.

"(f) LIMITATION ON PAYMENTS FOR SERVICES TO 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.—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 (or, at the option of the State, for prenatal care),

“(B) such alien otherwise meets the eligibility requirements for medical assistance under the State 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.

"(g) 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 1575(i)(2)) of a manufacturer provided under the State plan unless the manufacturer (as defined in section 1575(i)(4)) of the drug—

"(A) has entered into a master rebate agreement with the Secretary under section 1575,

"(B) is otherwise complying with the provisions of such section,

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

"(D) subject to paragraph (4), is complying with the provisions of section 340B of the Public Health Service Act, including the requirement of entering into an agreement with the Secretary under such section.

"(2) CONSTRUCTION.—Nothing in this subsection shall be construed as requiring a State to participate in the master rebate agreement under section 1575.

"(3) EFFECT OF SUBSEQUENT AMENDMENTS.—For purposes of subparagraphs (C) and (D), in determining whether a manufacturer is in compliance with the requirements of section 8126 of title 38, United States Code, or section 340B of the Public Health Service Act—

"(A) the Secretary shall not take into account any amendments to such sections 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 establishes to the satisfaction of the Secretary that the manufacturer would comply (and has of-
ferred to comply) with the provisions of such
sections (as in effect immediately after the en-
actment of the Veterans Health Care Act of
1992) and would have entered into an agree-
ment under such section (as such section was in
effect at such time), but for a legislative change
in such section after the date of the enactment

"(4) EFFECT OF ESTABLISHMENT OF ALTERNATIVE MECHANISM UNDER PUBLIC HEALTH SERVICE ACT.—If the Secretary does not establish a mechanism to ensure against duplicate discounts or rebates under section 340B(a)(5)(A) of the Public Health Service Act within 12 months of the date of the enactment of such section, the following require-
ments shall apply:

"(A) Each covered entity under such sec-
ton shall inform the State when it is seeking
reimbursement from the State plan for medical
assistance with respect to a unit of any covered
outpatient drug which is subject to an agree-
ment under section 340B(a) of such Act.

"(B) Each such State shall provide a
means by which such an entity shall indicate on
any drug reimbursement claims form (or for-
mat, where electronic claims management is used) that a unit of the drug that is the subject of the form is subject to an agreement under section 340B of such Act, and not submit to any manufacturer a claim for a rebate payment with respect to such a drug.

"(h) 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 State 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.

"(i) LIMITATION ON PAYMENT FOR ASSISTING DEATHS.—Payment shall not be made to a State under this part for amounts expended under the State 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 furnished
for the purpose of causing, or assisting in causing, the
death, suicide, euthanasia, or mercy killing of a person.

"(j) No supplantation of state health funds.—A State may not replace State funds expended
for the provision of health care services as of the date of
June 1, 1996 with Federal funds received under this title.

"PART C—ESTABLISHMENT AND AMENDMENT OF

STATE PLANS

"SEC. 1521. DESCRIPTION OF STRATEGIC OBJECTIVES AND

PERFORMANCE GOALS.

"(a) Description.—A State plan shall include a de-
scription 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 gen-
eral description of the manner in which the plan is de-
signed to meet these objectives and goals.

"(b) Certain objectives and goals re-
quired.—A State plan shall include strategic objectives
and performance goals relating to rates of childhood im-
munizations, reductions in infant mortality and morbidity,
and standards of care and access to services for children
with special health care needs (as defined by the State).

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“(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 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 State 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 State plan; and

“(2) the State 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. 1522. ANNUAL REPORTS.

"(a) IN GENERAL.—In the case of a State with a State plan that is in effect for part or all of a fiscal year, no later than March 31 following such fiscal year 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, a summary of all expenditures under the State plan during the fiscal year as follows:

"(i) Aggregate medical assistance expenditures, disaggregated to the extent required to determine compliance with the
set-aside requirements of subsections (c) and (e) of section 1502, and to determine the program need of the State under section 1511(d)(2).

"(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 State 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 State 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 1504(d)(1)).

"(v) Total administrative expenditures.

"(B) Subsequent summaries.—For reports for each succeeding fiscal year, a summary of—
“(i) all expenditures under the State plan, and

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

“(2) Utilization summary.—

“(A) Initial summary.—For the report for fiscal year 1997, summary statistics on the utilization of health care services under the State plan during the year 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 State 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 State plan.

"(3) ACHIEVEMENT OF PERFORMANCE GOALS.—With respect to each performance goal established under section 1521 and applicable to the year involved—

"(A) a brief description of the goal;

"(B) a description of the methods to be used to measure the attainment of such goal;

"(C) data on the actual performance with respect to the goal;

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

"(E) if 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 adjustments in performance goals or program activities for subsequent years.

"(4) PROGRAM EVALUATIONS.—A summary of the findings of evaluations under section 1523 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.

“(c) DESCRIPTION OF CATEGORIES.—In this section:

“(1) GENERAL CATEGORIES OF ELIGIBLE INDIVIDUALS.—Each of the following is a general category of eligible individuals:

“(A) Pregnant women.

“(B) Children.

“(C) Blind or disabled adults who are not elderly individuals.
“(D) Elderly individuals.
“(E) Other adults.
“(2) Categories of health care items and services.—The health care items and services described in each paragraph of section 1571(a) shall be considered a separate category of health care items and services.
“(d) Development of uniform data collection system.—The Secretary shall develop a uniform data collection system for the provision of information under this section.

SEC. 1523. PERIODIC, INDEPENDENT EVALUATIONS.
“(a) In general.—During fiscal year 1999 and every third fiscal year thereafter, each State shall provide for an evaluation of the operation of its State plan under this title. Such evaluation shall include an assessment of how successfully the State is implementing the funding requirements imposed under section 1502(e) and the manner in which the State has utilized Federally-qualified health centers and rural health clinics to provide services under the State plan.
“(b) Independent.—Each such evaluation with respect to an activity under the State 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.

"(e) 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. 1524. DESCRIPTION OF PROCESS FOR STATE PLAN DEVELOPMENT.

"Each State plan shall include a description of the process under which the plan shall be developed and implemented in the State (consistent with section 1525).

"SEC. 1525. CONSULTATION IN STATE PLAN DEVELOPMENT.

"(a) PUBLIC NOTICE PROCESS.—Before submitting a State plan or a plan amendment described in subsection (e) to the Secretary under part C, a State shall provide—

"(1) public notice respecting the submittal of the proposed plan or amendment, including a general description of the plan or amendment,

"(2) a means for the public to inspect or obtain a copy (at reasonable charge) of the proposed plan or amendment,
“(3) an opportunity for submittal and consideration of public comments on the proposed plan or amendment, and

“(4) for consultation with one or more advisory committees established and maintained by the State.

The previous sentence shall not apply to a revision of a State plan (or revision of an amendment to a plan) made by a State under section 1529(c)(1) or to a plan amendment withdrawal described in section 1529(c)(4).

“(b) CONTENTS OF NOTICE.—A notice under subsection (a)(1) for a proposed plan or amendment shall include a description of—

“(1) the general purpose of the proposed plan or amendment (including applicable effective dates),

“(2) where the public may inspect the proposed plan or amendment,

“(3) how the public may obtain a copy of the proposed plan or amendment and the applicable charge (if any) for the copy, and

“(4) how the public may submit comments on the proposed plan or amendment, including any deadlines applicable to consideration of such comments.

“(c) AMENDMENTS DESCRIBED.—An amendment to a State plan described in this subsection is an amendment
which makes a material and substantial change in eligibility under the State plan or the benefits provided under the plan or a material or substantial change in the manner in which the State will comply with subsection (b)(1)(H) or (e) of section 1502.

“(d) PUBLICATION.—Notices under this section 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.

“(e) COMPARABLE PROCESS.—A separate notice, or notices, shall not be required under this section for a State if notice of the State 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 section.

“(f) PROVIDER PAYMENT RATES.—Each State shall provide public notice, in accordance with the provisions of this section, of proposed payment rates and the methodologies underlying the establishment of such rates, for all providers (including institutional providers) of services under the State plan under this title. A State shall publish final payment rates, the methodologies underlying the establishment of such rates, and justifications for such rates. Such justifications may take in account public com-
ments received by the State (if any) 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.

**SEC. 1526. SUBMITTAL AND APPROVAL OF STATE PLANS.**

"(a) SUBMITTAL.—As a condition of receiving funding under part B, each State shall submit to the Secretary a State plan that meets the applicable requirements of this title.

"(b) APPROVAL.—Except as the Secretary may provide under section 1529 (including subsection (b) relating to noncompliance with required guarantees), a State plan submitted under subsection (a)—

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

"(2) shall be effective beginning on a date that is specified in the plan, but in no case earlier than 60 days after the date the plan is submitted.

"(c) CONSTRUCTION.—Nothing in this section shall be construed as prohibiting a State from submitting a State plan that includes the coverage and benefits (including those provided under a waiver granted under section 1115) of its State plan under title XIX (as in effect as of the date of the enactment of the Medicaid Restructuring Act of 1996), so long as such plan complies with the
applicable requirements of this title, including the guarantees under section 1501, and remains subject to the funding provisions of section 1511.

"SEC. 1527. SUBMITTAL AND APPROVAL OF PLAN AMENDMENTS.

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

"(b) APPROVAL.—Except as the Secretary may provide under section 1529 (including subsection (b) relating to noncompliance with required guarantees), an amendment to a State 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 a State 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. 1528. PROCESS FOR STATE WITHDRAWAL FROM PROGRAM.

(a) IN GENERAL.—A State may rescind its State 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 B for expenditures made for items and services furnished under the State 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 1511 to the contrary, the Secretary shall provide for such appropriate proration of the application of allotments under section 1511 as is appropriate.

"SEC. 1529. SANCTIONS FOR NONCOMPLIANCE.

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

"(b) Determinations of Noncompliance with Certain Guarantees.—

"(1) At Time of Plan or Amendment Submittal.—If the Secretary determines that a State plan or plan amendment submitted under this part violates the guarantees of coverage and benefits under subsections (a) and (b) of section 1501, the Secretary shall notify the State in writing of such determination and shall issue an order specifying that the plan or amendment, insofar as it is in violation with such requirement, shall not be effective, except as provided in subsection (d), as of the date specified in the order.

"(2) Violations in Administration of Plan.—If the Secretary determines, after reasonable notice and opportunity for a hearing for the State, that in the administration of a State plan there is a violation of guarantee of coverage and benefits under subsection (a) or (b) of section 1501, or of the funding requirements under section 1502(e), 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 written notice. Such an order
may include the withholding of funds, consistent
with subsection (g), for parts of the State plan af-
fected by such violation, until the Secretary is satis-
fied that the violation has been corrected.

"(3) CONSULTATION WITH STATE.—Before
making a determination adverse to a State under
this section, the Secretary shall—

"(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 subsections (a) and
(b) of section 1501 and of section 1502(e), and

"(C) reasonably consider any such clari-
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.
“(c) Determinations of Other 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 State plan or plan amendment—

“(i) determines that the plan or amendment substantially violates (within the meaning of paragraph (5)) a requirement 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 subsection (d), 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 State 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 Secretary and the State involved.

“(2) VIOLATIONS IN ADMINISTRATION OF PLAN.—

“(A) IN GENERAL.—If the Secretary determines, after reasonable notice and opportunity for a hearing for the State, that in the administration of a State plan there is a substantial 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 written notice. Such an order may include the withholding of funds, consistent with subsection (g), for parts of the State 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 (d), 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 determination 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 1522, an independent evaluation under section 1523, or an audit report under section 1551 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 periods provided under this section)—

"(A) reasonably consult with the State involved,

"(B) offer the State a reasonable opportunity to clarify the submission and submit further information to substantiate compliance with the requirements of this title, and

"(C) reasonably consider any such clarifications and information submitted.
“(4) JUSTIFICATION OF ANY INCONSISTENCIES IN DETERMINATIONS.—If the Secretary makes a determination under this section that is, in whole or in part, inconsistent with any previous determination issued by the Secretary under this title, the Secretary shall include in the determination a detailed explanation and justification for any such difference.

“(5) SUBSTANTIAL VIOLATION DEFINED.—For purposes of this title, a State plan (or amendment to such a plan) or the administration of the State plan is considered to ‘substantially violate’ 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 requirement of this title.

A failure to meet a strategic objective or performance goal (as described in section 1521) shall not be considered to substantially violate a requirement of this title.

“(6) RELATION TO OTHER PROVISION.—This subsection shall not apply to violation of a require-
(d) STATE RESPONSE TO ORDERS.—

"(1) STATE RESPONSE BY REVISING PLAN.—

"(A) IN GENERAL.—Insofar as an order under subsection (b)(1) or (c)(1) relates to a violation by a State plan or plan amendment, a State may respond (before the date the order becomes effective) to such an order by submitting a written revision of the State plan or plan amendment to comply with the requirements of this title.

"(B) REVIEW OF REVISION.—In the case of submission of such a revision, the Secretary shall promptly review the submission and shall, in the case of an order under subsection (c)(1), withhold any action on the order during the period of such review.

"(C) SECRETARIAL RESPONSE.—

"(i) ORDERS RELATING TO GUARANTEES.—In the case of a revision submitted in response to an order under subsection (b)(1), the revision shall not be considered to have corrected the deficiency unless the Secretary determines and notifies the State
that the State plan or amendment, as pro-
posed to be revised, complies with the re-
quirements of subsections (a) and (b) of
section 1501, or of section 1502(e) (as the
case may be). If the Secretary determines
that the revision does not correct the defi-
ciency, the Secretary shall notify the State
in writing of such determination and the
State may respond by seeking reconsider-
atation or a hearing under paragraph (2).

"(ii) OTHER ORDERS.—In the case of
a revision submitted in response to an
order under subsection (c)(1), 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
State plan or amendment, as proposed to
be revised, still substantially violates a re-
quirement of this title. In such case the
State may respond by seeking reconsider-
atation or a hearing under paragraph (2).
"(D) Revision retroactive.—If the revision provides for compliance (in the case of an order under subsection (b)(1)) or substantial compliance (in the case of an order under subsection (c)(1)), 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) or (c) by filing a request with the Secretary for—

"(A) a reconsideration of the determination, pursuant to subsection (e)(1), or

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

In such case for an order under subsection (c), 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) or (c)(2)
that relates to a violation in the administration of the State 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 the case of a corrective action plan submitted in response to an order under subsection (c)(2), 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.—

"(i) ORDERS RELATING TO GUARANTEES.—In the case of a corrective action plan submitted in response to an order under subsection (b)(2), the plan shall not be considered to have corrected the deficiency unless the Secretary determines and notifies the State that the State's administration of the State plan, as proposed to be corrected in the plan, will not violate a requirement of subsection (a) or (b) of section 1501, or of section 1502(e) (as the

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(ii) OTHER ORDERS.—In the case of a corrective action plan submitted in response to an order under subsection (c)(2), the corrective action plan 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 corrective action plan, that the State's administration of the State 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 violation in a plan amend-
ment submitted, a State may respond to such an order by withdrawing the plan amendment and the State plan shall be treated as though the amendment had not been made.

“(e) ADMINISTRATIVE REVIEW AND HEARING.—

“(1) RECONSIDERATION.—Within 30 days after the date of receipt of a request under subsection (d)(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 (d)(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 con-
cclusion of the hearing.

"(f) JUDICIAL REVIEW.—

"(1) IN GENERAL.—A State which is dissatis-
fied with a final determination made by the Sec-
retary under subsection (e)(1) or a final determina-
tion of an administrative law judge under subsection
(e)(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 determina-
tion. A copy of the petition shall be forthwith trans-
mitted by the clerk of the court to the Secretary
and, in the case of a determination under subsection
(e)(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
1502 of title 28, United States Code. Except as pro-
vided in section 1508, only the Secretary, in accord-
ance with this title, may compel a State under Fed-
eral law to comply with the provisions of this title
or a State plan, or otherwise enforce a provision of
this title against a State, and no action may be filed
under Federal law against a State in relation to the
State's compliance, or failure to comply, with the
provisions of this title or of a State plan except
under section 1508 or by the Secretary as provided
under this subsection.

"(2) STANDARD FOR REVIEW.—The findings of
fact by the Secretary or administrative law judge, if
supported by substantial evidence, shall be conclu-
sive, but the court, for good cause shown, may re-
mand the case to the Secretary or judge to take fur-
ther evidence, and the Secretary or judge may there-
upon 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 substan-
tial 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.
“(g) 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 State plan or administration thereof which violate a requirement of subsection (a) or (b) of section 1501, section 1502(e), or substantially violate another requirement of this title. In the case of a failure to meet a set-aside requirement under subsection (c) or (e) of section 1502, 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 (e) or (f).

“(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.

"(4) DIRECT PAYMENT OF CERTAIN FUNDS WITHHELD.—In the case of an order to withhold funds for failure to meet a set-aside requirement imposed under section 1502(e), the Secretary shall, during the period such order is in effect, pay directly to rural health clinics and federally-qualified health centers located in the State an amount equal to the amount that should have been paid to such clinics and centers by the State under section 1502(e).

"(h) INDIVIDUAL COMPLAINT PROCESS.—The Secretary shall provide for a process under which an individual may notify the Secretary concerning a State's failure..."
to provide medical assistance as required under the State plan or otherwise comply with the requirements of this title or such plan, including any failure to comply with a requirement of subsection (a) or (b) of section 1501. If the Secretary finds that there is a pattern of complaints with respect to a State or that a particular failure or finding of noncompliance is egregious, the Secretary shall notify the chief executive officer of the State of such finding and shall notify the Congress if the State fails to respond to such notification within a reasonable period of time.

"SEC. 1530. 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 State plan (or amendments to a State plan) or the compliance of a State 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 ac-
activities in lieu of formal enforcement or sanctions under section 1529.

"(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 State plans (or amendments to such plans) or the compliance of a State 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 D—PROGRAM INTEGRITY AND QUALITY

"SEC. 1551. USE OF AUDITS TO ACHIEVE FISCAL INTEGRITY.

"(a) FINANCIAL AUDITS OF PROGRAM.—

"(1) IN GENERAL.—Each State plan shall provide for an annual audit of the State's expenditures
from amounts received under this title, in compliance with chapter 75 of title 31, United States Code.

"(2) Verification Audits.—If, after consultation 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 chapter, or

"(B) conduct such a verification audit.

"(3) Availability of Audit Reports.—Within 30 days after completion of each audit or verification 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 State plan amendments are made available under section 1525.

"(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 State 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 payments are made under the plan.

“SEC. 1552. FRAUD PREVENTION PROGRAM.

“(a) ESTABLISHMENT.—Each State plan shall provide for the establishment and maintenance of an effective 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 established pursuant to subsection (a) shall include at least the following requirements:

“(1) DISCLOSURE OF INFORMATION.—Any disclosing entity (as defined in section 1124(a)) receiving payments under the State plan shall comply 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 furnishing of, an item or service under the State 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 State 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 State 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 State 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 State plan shall provide that the State will provide information and access to certain information respecting sanctions taken against health care practitioners and providers by State licensing authorities in accordance with section 1553.
SEC. 1553. INFORMATION CONCERNING SANCTIONS TAKEN BY STATE LICENSING AUTHORITIES AGAINST HEALTH CARE PRACTITIONERS AND PROVIDERS.

“(a) INFORMATION REPORTING REQUIREMENT.—The requirement referred to in section 1552(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 license (and the length of any such suspension), reprimand, censure, or probation.

“(B) Any dismissal or closure of the proceedings 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 regarding 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 authority described in paragraph (1) as may be necessary for the Secretary to determine the facts and circumstances concerning the actions and determinations described in such paragraph for the purpose of carrying out this Act.

"(b) FORM OF INFORMATION.—The information described in subsection (a)(1) shall be provided to the Secretary (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 fraud control units (as defined in section 1534),

“(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 employment 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 disclosed 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 appropriate, 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 protect 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 PROVIDED.—The Secretary shall provide for suitable safeguards for the confidentiality of the information furnished under subsection (a). Nothing in this subsection shall prevent 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 section 422 of the Health Care Quality Improvement Act of 1986 and section 1128E.
"SEC. 1554. STATE FRAUD CONTROL UNITS.

“(a) IN GENERAL.—Each State plan shall provide for a State 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 section, the term ‘State 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 principal responsibilities for administering or supervising the administration of the State 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 State 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 State 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.—

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

“(B) Treatment of Certain Overpayments.—If an overpayment is the direct result of the failure of the provider (or the provider’s billing agent) to adhere to a change in the
State's billing instructions, the entity may recover the overpayment only if the entity demonstrates that the provider (or the provider's billing agent) received prior written or electronic notice of the change in the billing instructions before the submission of the claims on which the overpayment is based.

"(6) PERSONNEL.—The entity employs such auditors, attorneys, investigators, and other 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. 1555. RECOVERIES FROM THIRD PARTIES AND OTHERS.

"(a) THIRD PARTY LIABILITY.—Each State 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 State 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 State 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 3 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 State plan for any State.

"(d) ACQUISITION OF RIGHTS OF BENEFICIARIES.—

To the extent that payment has been made under a State 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 State plan shall provide for mandatory assignment of rights of payment for medical support and other medical care owed to recipients in accordance with section 1556.

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

"(1) IN GENERAL.—Each State with a State plan under this title 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 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 insurer, a law that requires such insurer—

"(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, 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 non-custodial parent, and

“(iii) to make payment on claims submitted in accordance with clause (ii) 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 subsection, 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.—

“(1) IN GENERAL.—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 State plan, including through the imposition of liens against the property or estate of the individual to the extent consistent with section 1506.

“(2) NO LIEN ON FAMILY FARMS.—For purposes of paragraph (1), a State may not impose a lien on the family farm owned by the individual that
is the principal residence (within the meaning of section 1034 of the Internal Revenue Code of 1986) of such individual as a condition of the spouse of the individual receiving nursing facility or other long term care benefits under the State plan.

"(3) No lien on trusts of disabled individuals under age 65.—No lien may be imposed against a trust containing the assets of an individual under age 65 who is disabled (as defined in section 1614(a)(3)) and which is established for the benefit of such individual by a parent, grandparent, legal guardian of the individual, or a court, if the State will receive all amounts remaining in the trust upon the death of such individual up to an amount equal to the total medical assistance paid on behalf of the individual under a State plan under this title.

"SEC. 1556. 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 State plan, each State 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. 1557. QUALITY ASSURANCE REQUIREMENTS FOR 
NURSING FACILITIES.

"(a) NURSING FACILITY DEFINED.—In this title, the 
term ‘nursing facility’ means an institution (or a distinct 
part of an institution) which—

"(1) is primarily engaged in providing to resi-
dents—

"(A) skilled nursing care and related serv-
ices for residents who require medical or nurs-
ing care,

"(B) rehabilitation services for the reha-
bilitation of injured, disabled, or sick persons, 
or

"(C) on a regular basis, health-related care 
and services to individuals who because of their 
mental or physical condition require care and 
services (above the level of room and board) 
which can be made available to them only 
through institutional facilities,

and is not primarily for the care and treatment of 
mental diseases;

"(2) has in effect a transfer agreement (meet-
ing the requirements of section 1861(l)) with one or
more hospitals having agreements in effect under
section 1866; and

"(3) meets the requirements for a nursing facili-
ity described in subsections (b), (c), and (d) of this
section.

Such term also includes any facility which is located in
a State on an Indian reservation and is certified by the
Secretary as meeting the requirements of paragraph (1)
and subsections (b), (c), and (d).

"(b) REQUIREMENTS RELATING TO PROVISION OF
SERVICES.—

"(1) QUALITY OF LIFE.—

"(A) IN GENERAL.—A nursing facility
must care for its 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) QUALITY ASSESSMENT AND ASSUR-
ANCE.—A nursing facility must maintain a
quality assessment and assurance committee,
consisting of the director of nursing services, a
physician designated by the facility, and at least
3 other members of the facility's staff, which (i)
meets at least quarterly to identify issues with
respect to which quality assessment and assur-
ance activities are necessary and (ii) develops and implements appropriate plans of action to correct identified quality deficiencies. A State or the Secretary may not require disclosure of the records of such committee except insofar as such disclosure is related to the compliance of such committee with the requirements of this subparagraph.

"(2) Scope of services and activities under plan of care.—A nursing facility must provide services and activities to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident in accordance with a written plan of care which—

"(A) describes the medical, nursing, and psychosocial needs of the resident and how such needs will be met;

"(B) is initially prepared, with the participation to the extent practicable of the resident or the resident's family or legal representative, by a team which includes the resident's attending physician and a registered professional nurse with responsibility for the resident; and
“(C) is periodically reviewed and revised by such team after each assessment under para-

graph (3).

“(3) RESIDENTS’ ASSESSMENT.—

“(A) REQUIREMENT.—A nursing facility must conduct a comprehensive, accurate, stand-

ardized, reproducible assessment of each resi-

dent’s functional capacity, which assessment—

“(i) describes the resident’s capability to perform daily life functions and signifi-


cant impairments in functional capacity;

“(ii) is based on a uniform minimum data set specified by the Secretary under subsection (f)(6)(A);

“(iii) uses an instrument which is specified by the State under subsection (e)(5); and

“(iv) includes the identification of medical problems.

“(B) CERTIFICATION.—

“(i) IN GENERAL.—Each such assess-

ment must be conducted or coordinated (with the appropriate participation of health professionals) by a registered pro-

fessional nurse who signs and certifies the
completion of the assessment. Each individual who completes a portion of such an assessment shall sign and certify as to the accuracy of that portion of the assessment.

“(ii) **Penalty for Falsification.**—

“(I) An individual who willfully and knowingly certifies under clause (i) a material and false statement in a resident assessment is subject to a civil money penalty of not more than $1,000 with respect to each assessment.

“(II) An individual who willfully and knowingly causes another individual to certify under clause (i) a material and false statement in a resident assessment is subject to a civil money penalty of not more than $5,000 with respect to each assessment.

“(III) The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under this clause in the same manner as such provisions apply to a
penalty or proceeding under section 1128A(a).

"(iii) USE OF INDEPENDENT ASSESSORS.—If a State determines, under a survey under subsection (g) or otherwise, that there has been a knowing and willful certification of false assessments under this paragraph, the State may require (for a period specified by the State) that resident assessments under this paragraph be conducted and certified by individuals who are independent of the facility and who are approved by the State.

"(C) FREQUENCY.—

"(i) IN GENERAL.—Such an assessment must be conducted—

"(I) promptly upon (but no later than 14 days after the date of) admission for each individual admitted;

"(II) promptly after a significant change in the resident's physical or mental condition; and

"(III) in no case less often than once every 12 months.
“(ii) Resident review.—The nursing facility must examine each resident no less frequently than once every 3 months and, as appropriate, revise the resident's assessment to assure the continuing accuracy of the assessment.

“(D) Use.—The results of such an assessment shall be used in developing, reviewing, and revising the resident's plan of care under paragraph (2).

“(E) Coordination.—Such assessments shall be coordinated with any State-required preadmission screening program to the maximum extent practicable in order to avoid duplicative testing and effort. In addition, a nursing facility shall notify the State mental health authority or State mental retardation or developmental disability authority, as applicable, promptly after a significant change in the physical or mental condition of a resident who is mentally ill or mentally retarded.

“(4) Provision of services and activities.—

“(A) In general.—To the extent needed to fulfill all plans of care described in para-
graph (2), a nursing facility must provide (or arrange for the provision of)—

"(i) nursing and related services and specialized rehabilitative services to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident;

"(ii) medically-related social services to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident;

"(iii) pharmaceutical services (including procedures that assure the accurate acquiring, receiving, dispensing, and administering of all drugs and biologicals) to meet the needs of each resident;

"(iv) dietary services that assure that the meals meet the daily nutritional and special dietary needs of each resident;

"(v) an on-going program, directed by a qualified professional, of activities designed to meet the interests and the physical, mental, and psychosocial well-being of each resident;
“(vi) routine dental services (to the extent covered under the State plan) and emergency dental services to meet the needs of each resident; and "

“(vii) treatment and services required by mentally ill and mentally retarded residents not otherwise provided or arranged for (or required to be provided or arranged for) by the State.

The services provided or arranged by the facility must meet professional standards of quality.

“(B) QUALIFIED PERSONS PROVIDING SERVICES.—Services described in clauses (i), (ii), (iii), (iv), and (vi) of subparagraph (A) must be provided by qualified persons in accordance with each resident's written plan of care.

“(C) REQUIRED NURSING CARE; FACILITY WAIVERS.—

“(i) GENERAL REQUIREMENTS.—A nursing facility—

“(I) except as provided in clause (ii), must provide 24-hour licensed nursing services which are sufficient
to meet the nursing needs of its residents, and

"(II) except as provided in clause (ii), must use the services of a registered professional nurse for at least 8 consecutive hours a day, 7 days a week.

"(ii) WAIVER BY STATE.—To the extent that a facility is unable to meet the requirements of clause (i), a State may waive such requirements with respect to the facility if—

"(I) the facility demonstrates to the satisfaction of the State that the facility has been unable, despite diligent efforts (including offering wages at the community prevailing rate for nursing facilities), to recruit appropriate personnel,

"(II) the State determines that a waiver of the requirement will not endanger the health or safety of individuals staying in the facility,

"(III) the State finds that, for any such periods in which licensed
nursing services are not available, a registered professional nurse or a physician is obligated to respond immediately to telephone calls from the facility,

“(IV) the State agency granting a waiver of such requirements provides notice of the waiver to the State long-term care ombudsman (established under section 307(a)(12) of the Older Americans Act of 1965) and the protection and advocacy system in the State for the mentally ill and the mentally retarded, and

“(V) the nursing facility that is granted such a waiver by a State notifies residents of the facility (or, where appropriate, the guardians or legal representatives of such residents) and members of their immediate families of the waiver.

A waiver under this clause shall be subject to annual review and to the review of the Secretary and subject to clause (iii) shall be accepted by the Secretary for purposes
of this title to the same extent as is the State’s certification of the facility. In granting or renewing a waiver, a State may require the facility to use other qualified, licensed personnel.

“(iii) ASSUMPTION OF WAIVER AUTHORITY BY SECRETARY.—If the Secretary determines that a State has shown a clear pattern and practice of allowing waivers in the absence of diligent efforts by facilities to meet the staffing requirements, the Secretary shall assume and exercise the authority of the State to grant waivers.

“(5) REQUIRED TRAINING OF NURSE AIDES.—

“(A) IN GENERAL.—(i) Except as provided in clause (ii), a nursing facility must not use on a full-time basis any individual as a nurse aide in the facility, for more than 4 months unless the individual—

“(I) has completed a training and competency evaluation program, or a competency evaluation program, approved by the State under subsection (e)(1)(A), and

“(II) is competent to provide nursing or nursing-related services.
“(ii) A nursing facility must not use on a temporary, per diem, leased, or on any other basis other than as a permanent employee any individual as a nurse aide in the facility, unless the individual meets the requirements described in clause (i).

“(B) OFFERING COMPETENCY EVALUATION PROGRAMS FOR CURRENT EMPLOYEES.—A nursing facility must provide, for individuals used as a nurse aide by the facility, for a competency evaluation program approved by the State under subsection (e)(1) and such preparation as may be necessary for the individual to complete such a program.

“(C) COMPETENCY.—The nursing facility must not permit an individual, other than in a training and competency evaluation program approved by the State, to serve as a nurse aide or provide services of a type for which the individual has not demonstrated competency and must not use such an individual as a nurse aide unless the facility has inquired of any State registry established under subsection (e)(2)(A) that the facility believes will include information concerning the individual.
“(D) RE-TRAINING REQUIRED.—For purposes of subparagraph (A), if, since an individual’s most recent completion of a training and competency evaluation program, there has been a continuous period of 24 consecutive months during none of which the individual performed nursing or nursing-related services for monetary compensation, such individual shall complete a new training and competency evaluation program, or a new competency evaluation program.

“(E) REGULAR IN-SERVICE EDUCATION.—The nursing facility must provide such regular performance review and regular in-service education as assures that individuals used as nurse aides are competent to perform services as nurse aides, including training for individuals providing nursing and nursing-related services to residents with cognitive impairments.

“(F) NURSE AIDE DEFINED.—In this paragraph, the term ‘nurse aide’ means any individual providing nursing or nursing-related services to residents in a nursing facility, but does not include an individual—
"(i) who is a licensed health professional (as defined in subparagraph (G)) or a registered dietitian, or "

"(ii) who volunteers to provide such services without monetary compensation.

"(G) LICENSED HEALTH PROFESSIONAL DEFINED.—In this paragraph, the term 'licensed health professional' means a physician, physician assistant, nurse practitioner, physical, speech, or occupational therapist, physical or occupational therapy assistant, registered professional nurse, licensed practical nurse, or licensed or certified social worker.

"(6) PHYSICIAN SUPERVISION AND CLINICAL RECORDS.—A nursing facility must—

"(A) require that the health care of every resident be provided under the supervision of a physician (or, at the option of a State, under the supervision of a nurse practitioner, clinical nurse specialist, or physician assistant who is not an employee of the facility but who is working in collaboration with a physician);

"(B) provide for having a physician available to furnish necessary medical care in case of emergency; and
“(C) maintain clinical records on all residents, which records include the plans of care (described in paragraph (2)) and the residents’ assessments (described in paragraph (3)), as well as the results of any pre-admission screening conducted under subsection (e)(7).

“(7) REQUIRED SOCIAL SERVICES.—In the case of a nursing facility with more than 120 beds, the facility must have at least one social worker (with at least a bachelor’s degree in social work or similar professional qualifications) employed full-time to provide or assure the provision of social services.

“(c) REQUIREMENTS RELATING TO RESIDENTS’ RIGHTS.—

“(1) GENERAL RIGHTS.—

“(A) SPECIFIED RIGHTS.—A nursing facility must protect and promote the rights of each resident, including each of the following rights:

“(i) FREE CHOICE.—The right to choose a personal attending physician, to be fully informed in advance about care and treatment, to be fully informed in advance of any changes in care or treatment that may affect the resident’s well-being, and (except with respect to a resident ad-
judged incompetent) to participate in planning care and treatment or changes in care and treatment.

"(ii) FREE FROM RESTRAINTS.—The right to be free from physical or mental abuse, corporal punishment, involuntary seclusion, and any physical or chemical restraints imposed for purposes of discipline or convenience and not required to treat the resident's medical symptoms. Restraints may only be imposed—

"(I) to ensure the physical safety of the resident or other residents, and

"(II) only upon the written order of a physician that specifies the duration and circumstances under which the restraints are to be used (except in emergency circumstances specified by the Secretary until such an order could reasonably be obtained).

"(iii) PRIVACY.—The right to privacy with regard to accommodations, medical treatment, written and telephonic communications, visits, and meetings of family and of resident groups.
“(iv) CONFIDENTIALITY.—The right to confidentiality of personal and clinical records and to access to current clinical records of the resident upon request by the resident or the resident’s legal representative, within 24 hours (excluding hours occurring during a weekend or holiday) after making such a request.

“(v) ACCOMMODATION OF NEEDS.—The right—

“(I) to reside and receive services with reasonable accommodation of individual needs and preferences, except where the health or safety of the individual or other residents would be endangered, and

“(II) to receive notice before the room or roommate of the resident in the facility is changed.

“(vi) GRIEVANCES.—The right to voice grievances with respect to treatment or care that is (or fails to be) furnished, without discrimination or reprisal for voicing the grievances and the right to prompt efforts by the facility to resolve grievances.
the resident may have, including those with
respect to the behavior of other residents.

"(vii) Participation in resident
and family groups.—The right of the
resident to organize and participate in resi-
dent groups in the facility and the right of
the resident's family to meet in the facility
with the families of other residents in the
facility.

"(viii) Participation in other ac-
tivities.—The right of the resident to
participate in social, religious, and commu-
nity activities that do not interfere with
the rights of other residents in the facility.

"(ix) Examination of survey re-
sults.—The right to examine, upon rea-
sonable request, the results of the most re-
cent survey of the facility conducted by the
Secretary or a State with respect to the fa-
cility and any plan of correction in effect
with respect to the facility.

"(x) Refusal of certain trans-
fers.—The right to refuse a transfer to
another room within the facility, if a pur-
pose of the transfer is to relocate the resi-
dent from a portion of the facility that is not a skilled nursing facility (for purposes of title XVIII) to a portion of the facility that is such a skilled nursing facility.

"(xi) OTHER RIGHTS.—Any other right established by the Secretary. Clause (i) shall not be construed as precluding a State from requiring a resident of a nursing facility to choose a personal attending physician who participates in a managed care network under a contract with the State to provide medical assistance under this title. Clause (iii) shall not be construed as requiring the provision of a private room. A resident's exercise of a right to refuse transfer under clause (x) shall not affect the resident's eligibility or entitlement to medical assistance under this title or a State's entitlement to Federal medical assistance under this title with respect to services furnished to such a resident.

"(B) NOTICE OF RIGHTS.—A nursing facility must—

"(i) inform each resident, orally and in writing at the time of admission to the facility, of the resident's legal rights dur-
ing the stay at the facility and of the re-
quirements and procedures for establishing
eligibility for medical assistance under this
title, including the right to request an as-

tessment under section 1505(c)(1)(B);

“(ii) make available to each resident,
upon reasonable request, a written state-
ment of such rights (which statement is
updated upon changes in such rights) in-
cluding the notice (if any) of the State de-
veloped under subsection (e)(6);

“(iii) inform each resident who is enti-
tled to medical assistance under this
title—

“(I) at the time of admission to
the facility or, if later, at the time the
resident becomes eligible for such as-
sistance, of the items and services
that are included in nursing facility
services under the State plan and for
which the resident may not be
charged, and of those other items and
services that the facility offers and for
which the resident may be charged
and the amount of the charges for such items and services, and

"(II) of changes in the items and services described in subclause (I) and of changes in the charges imposed for items and services described in that subclause; and

"(iv) inform each other resident, in writing before or at the time of admission and periodically during the resident's stay, of services available in the facility and of related charges for such services, including any charges for services not covered under title XVIII or by the facility's basic per diem charge.

The written description of legal rights under this subparagraph shall include a description of the protection of personal funds under paragraph (6) and a statement that a resident may file a complaint with a State survey and certification agency respecting resident abuse and neglect and misappropriation of resident property in the facility.

"(C) RIGHTS OF INCOMPETENT RESIDENTS.—In the case of a resident adjudged in-
competent under the laws of a State, the rights of the resident under this title 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.

“(D) USE OF PSYCHOPHARMACOLOGIC DRUGS.—Psychopharmacologic drugs may be administered only on the orders of a physician and only as part of a plan (included in the written plan of care described in paragraph (2)) designed to eliminate or modify the symptoms for which the drugs are prescribed and only if, at least annually an independent, external consultant reviews the appropriateness of the drug plan of each resident receiving such drugs.

“(2) TRANSFER AND DISCHARGE RIGHTS.—

“(A) IN GENERAL.—A nursing facility must permit each resident to remain in the facility and must not transfer or discharge the resident from the facility unless—

“(i) the transfer or discharge is necessary to meet the resident’s welfare and the resident’s welfare cannot be met in the facility;
“(ii) the transfer or discharge is appropriate because the resident’s health has improved sufficiently so the resident no longer needs the services provided by the facility;

“(iii) the safety of individuals in the facility is endangered;

“(iv) the health of individuals in the facility would otherwise be endangered;

“(v) the resident has failed, after reasonable and appropriate notice, to pay (or to have paid under this title or title XVIII on the resident’s behalf) for a stay at the facility; or

“(vi) the facility ceases to operate.

In each of the cases described in clauses (i) through (iv), the basis for the transfer or discharge must be documented in the resident’s clinical record. In the cases described in clauses (i) and (ii), the documentation must be made by the resident’s physician, and in the case described in clause (iv) the documentation must be made by a physician. For purposes of clause (v), in the case of a resident who becomes eligible for assistance under this title after admis-
sion to the facility, only charges which may be imposed under this title shall be considered to be allowable.

"(B) PRE-TRANSFER AND PRE-DISCHARGE NOTICE.—

"(i) IN GENERAL.—Before effecting a transfer or discharge of a resident, a nursing facility must—

"(I) notify the resident (and, if known, an immediate family member of the resident or legal representative) of the transfer or discharge and the reasons therefor,

"(II) record the reasons in the resident’s clinical record (including any documentation required under subparagraph (A)), and

"(III) include in the notice the items described in clause (iii).

"(ii) TIMING OF NOTICE.—The notice under clause (i)(I) must be made at least 30 days in advance of the resident’s transfer or discharge except—

"(I) in a case described in clause (iii) or (iv) of subparagraph (A);
“(II) in a case described in clause (ii) of subparagraph (A), where the resident’s health improves sufficiently to allow a more immediate transfer or discharge;

“(III) in a case described in clause (i) of subparagraph (A), where a more immediate transfer or discharge is necessitated by the resident’s urgent medical needs; or

“(IV) in a case where a resident has not resided in the facility for 30 days.

In the case of such exceptions, notice must be given as many days before the date of the transfer or discharge as is practicable.

“(iii) ITEMS INCLUDED IN NOTICE.— Each notice under clause (i) must include—

“(I) notice of the resident’s right to appeal the transfer or discharge under the State process established under subsection (e)(3);

“(II) the name, mailing address, and telephone number of the State
long-term care ombudsman (established under title III or VII of the Older Americans Act of 1965);

"(III) in the case of residents with developmental disabilities, the mailing address and telephone number of the agency responsible for the protection and advocacy system for developmentally disabled individuals established under part C of the Developmental Disabilities Assistance and Bill of Rights Act; and

"(IV) in the case of mentally ill residents (as defined in subsection (e)(7)(G)(i)), the mailing address and telephone number of the agency responsible for the protection and advocacy system for mentally ill individuals established under the Protection and Advocacy for Mentally Ill Individuals Act.

"(C) ORIENTATION.—A nursing facility must provide sufficient preparation and orientation to residents to ensure safe and orderly transfer or discharge from the facility.
“(D) NOTICE ON BED-HOLD POLICY AND READMISSION.—

“(i) NOTICE BEFORE TRANSFER.—

Before a resident of a nursing facility is transferred for hospitalization or therapeutic leave, a nursing facility must provide written information to the resident and an immediate family member or legal representative concerning—

“(I) the provisions of the State plan under this title regarding the period (if any) during which the resident will be permitted under the State plan to return and resume residence in the facility, and

“(II) the policies of the facility regarding such a period, which policies must be consistent with clause (iii).

“(ii) NOTICE UPON TRANSFER.—At the time of transfer of a resident to a hospital or for therapeutic leave, a nursing facility must provide written notice to the resident and an immediate family member
or legal representative of the duration of any period described in clause (i).

"(iii) PERMITTING RESIDENT TO RETURN.—A nursing facility must establish and follow a written policy under which a resident—

"(I) who is eligible for medical assistance for nursing facility services under a State plan,

"(II) who is transferred from the facility for hospitalization or therapeutic leave, and

"(III) whose hospitalization or therapeutic leave exceeds a period paid for under the State plan for the holding of a bed in the facility for the resident,

will be permitted to be readmitted to the facility immediately upon the first availability of a bed in a room (not including a private room) in the facility if, at the time of readmission, the resident requires the services provided by the facility.

"(3) ACCESS AND VISITATION RIGHTS.—A nursing facility must—
“(A) permit immediate access to any resident by any representative of the Secretary, by any representative of the State, by an ombudsman or agency described in subclause (II), (III), or (IV) of paragraph (2)(B)(iii), or by the resident’s individual physician;

“(B) permit immediate access to a resident, subject to the resident’s right to deny or withdraw consent at any time, by immediate family or other relatives of the resident;

“(C) permit immediate access to a resident, subject to reasonable restrictions and the resident’s right to deny or withdraw consent at any time, by others who are visiting with the consent of the resident;

“(D) permit reasonable access to a resident by any entity or individual that provides health, social, legal, or other services to the resident, subject to the resident’s right to deny or withdraw consent at any time; and

“(E) permit representatives of the State ombudsman (described in paragraph (2)(B)(iii)(II)), with the permission of the resident (or the resident’s legal representative) and
consistent with State law, to examine a resident's clinical records.

"(4) EQUAL ACCESS TO QUALITY CARE.—

"(A) IN GENERAL.—A nursing facility must establish and maintain identical policies and practices regarding transfer, discharge, and the provision of services required under the State plan for all individuals regardless of source of payment.

"(B) CONSTRUCTION.—

"(i) NOTHING PROHIBITING ANY CHARGES FOR NON-MEDICAL ASSISTANCE PATIENTS.—Subparagraph (A) shall not be construed as prohibiting a nursing facility from charging any amount for services furnished, consistent with the notice in paragraph (1)(B) describing such charges.

"(ii) NO ADDITIONAL SERVICES REQUIRED.—Subparagraph (A) shall not be construed as requiring a State to offer additional services on behalf of a resident than are otherwise provided under the State plan.

"(5) ADMISSIONS POLICY.—
"(A) ADMISSIONS.—With respect to admissions practices, a nursing facility must—

"(i)(I) not require individuals applying to reside or residing in the facility to waive their rights to benefits under a State plan under this title or title XVIII, (II) not require oral or written assurance that such individuals are not eligible for, or will not apply for, benefits under a State plan under this title or title XVIII, and (III) prominently display in the facility written information, and provide to such individuals oral and written information, about how to apply for and use such benefits and how to receive refunds for previous payments covered by such benefits;

"(ii) not require a third party guarantee of payment to the facility as a condition of admission (or expedited admission) to, or continued stay in, the facility; and

"(iii) in the case of an individual who is provided medical assistance for nursing facility services, not charge, solicit, accept, or receive, in addition to any amount otherwise required to be paid under the State
plan under this title, any gift, money, donation, or other consideration as a pre-condition of admitting (or expediting the admission of) the individual to the facility or as a requirement for the individual's continued stay in the facility.

"(B) CONSTRUCTION.—

"(i) NO PREEMPTION OF STRICTER STANDARDS.—Subparagraph (A) shall not be construed as preventing States or political subdivisions therein from prohibiting, under State or local law, the discrimination against individuals who are provided medical assistance under the State plan with respect to admissions practices of nursing facilities.

"(ii) CONTRACTS WITH LEGAL REPRESENTATIVES.—Subparagraph (A)(ii) shall not be construed as preventing a facility from requiring an individual, who has legal access to a resident's income or resources available to pay for care in the facility, to sign a contract (without incurring personal financial liability) to provide pay-
ment from the resident's income or resources for such care.

"(iii) **CHARGES FOR ADDITIONAL SERVICES REQUESTED.**—Subparagraph (A)(iii) shall not be construed as preventing a facility from charging a resident, eligible for medical assistance under the State plan, for items or services the resident has requested and received and that are not specified in the State plan as included in covered nursing facility services.

"(iv) **BONA FIDE CONTRIBUTIONS.**—Subparagraph (A)(iii) shall not be construed as prohibiting a nursing facility from soliciting, accepting, or receiving a charitable, religious, or philanthropic contribution from an organization or from a person unrelated to the resident (or potential resident), but only to the extent that such contribution is not a condition of admission, expediting admission, or continued stay in the facility.

"(6) **PROTECTION OF RESIDENT FUNDS.**—

"(A) **IN GENERAL.**—The nursing facility—
“(i) may not require residents to deposit their personal funds with the facility, and

“(ii) upon the written authorization of the resident, must hold, safeguard, and account for such personal funds under a system established and maintained by the facility in accordance with this paragraph.

“(B) MANAGEMENT OF PERSONAL FUNDS.—Upon written authorization of a resident under subparagraph (A)(ii), the facility must manage and account for the personal funds of the resident deposited with the facility as follows:

“(i) DEPOSIT.—The facility must deposit any amount of personal funds in excess of $50 with respect to a resident in an interest bearing account (or accounts) that is separate from any of the facility’s operating accounts and credits all interest earned on such separate account to such account. With respect to any other personal funds, the facility must maintain such funds in a non-interest bearing account or petty cash fund.
“(ii) ACCOUNTING AND RECORDS.—

The facility must assure a full and complete separate accounting of each such resident's personal funds, maintain a written record of all financial transactions involving the personal funds of a resident deposited with the facility, and afford the resident (or a legal representative of the resident) reasonable access to such record.

“(iii) NOTICE OF CERTAIN BALANCES.—The facility must notify each resident receiving medical assistance under the State plan when the amount in the resident's account reaches $200 less than the dollar amount determined under section 1611(a)(3)(B) and the fact that if the amount in the account (in addition to the value of the resident's other nonexempt resources) reaches the amount determined under such section the resident may lose eligibility for such medical assistance or for benefits under title XVI.

“(iv) CONVEYANCE UPON DEATH.—

Upon the death of a resident with such an account, the facility must convey promptly
the resident's personal funds (and a final accounting of such funds) to the individual administering the resident's estate. All other personal property, including medical records, shall be considered part of the resident's estate and shall only be released to the administrator of the estate.

"(C) ASSURANCE OF FINANCIAL SECURITY.—The facility must purchase a surety bond, or otherwise provide assurance satisfactory to the State, to assure the security of all personal funds of residents deposited with the facility.

"(D) LIMITATION ON CHARGES TO PERSONAL FUNDS.—The facility may not impose a charge against the personal funds of a resident for any item or service for which payment is made under this title or title XVIII.

"(7) LIMITATION ON CHARGES IN CASE OF MEDICAL-ASSISTANCE-ELIGIBLE INDIVIDUALS.—

"(A) IN GENERAL.—A nursing facility may not impose charges, for certain medical-assistance-eligible individuals for nursing facility services covered by the State under its plan under this title, that exceed the payment
amounts established by the State for such services under this title.

"(B) CERTAIN MEDICAL-ASSISTANCE-ELIGIBLE INDIVIDUALS DEFINED.—In subparagraph (A), the term 'certain medical-assistance-eligible individual' means an individual who is entitled to medical assistance for nursing facility services in the facility under this title but with respect to whom such benefits are not being paid because, in determining the amount of the individual's income to be applied monthly to payment for the costs of such services, the amount of such income exceeds the payment amounts established by the State for such services under this title.

"(8) POSTING OF SURVEY RESULTS.—A nursing facility must post in a place readily accessible to residents, and family members and legal representatives of residents, the results of the most recent survey of the facility conducted under subsection (g).

"(d) REQUIREMENTS RELATING TO ADMINISTRATION AND OTHER MATTERS.—

"(1) ADMINISTRATION.—

"(A) IN GENERAL.—A nursing facility must be administered in a manner that enables
it to use its resources effectively and efficiently to attain or maintain the highest practicable physical, mental, and psychosocial well-being of each resident (consistent with requirements established under subsection (f)(5)).

"(B) REQUIRED NOTICES.—If a change occurs in—

"(i) the persons with an ownership or control interest (as defined in section 1124(a)(3)) in the facility,

"(ii) the persons who are officers, directors, agents, or managing employees (as defined in section 1126(b)) of the facility,

"(iii) the corporation, association, or other company responsible for the management of the facility, or

"(iv) the individual who is the administrator or director of nursing of the facility,

the nursing facility must provide notice to the State agency responsible for the licensing of the facility, at the time of the change, of the change and of the identity of each new person, company, or individual described in the respective clause.
“(C) Nursing facility administrator.—The administrator of a nursing facility, whether freestanding or hospital-based, must meet such standards as are established by the Secretary under subsection (f)(4).

“(2) Licensing and life safety code.—

“(A) Licensing.—A nursing facility must be licensed under applicable State and local law.

“(B) Life safety code.—A nursing facility must meet such provisions of such edition (as specified by the Secretary in regulation) of the Life Safety Code of the National Fire Protection Association as are applicable to nursing homes; except that—

“(i) the Secretary may waive, for such periods as he deems appropriate, specific provisions of such Code which if rigidly applied would result in unreasonable hardship upon a facility, but only if such waiver would not adversely affect the health and safety of residents or personnel, and

“(ii) the provisions of such Code shall not apply in any State if the Secretary finds that in such State there is in effect a fire and safety code, imposed by State
law, which adequately protects residents of
and personnel in nursing facilities.

"(3) SANITARY AND INFECTION CONTROL AND
PHYSICAL ENVIRONMENT.—A nursing facility
must—

"(A) establish and maintain an infection
control program designed to provide a safe, san-
itary, and comfortable environment in which
residents reside and to help prevent the devel-
opment and transmission of disease and infec-
tion, and

"(B) be designed, constructed, equipped,
and maintained in a manner to protect the
health and safety of residents, personnel, and
the general public.

"(4) MISCELLANEOUS.—

"(A) COMPLIANCE WITH FEDERAL, STATE,
AND LOCAL LAWS AND PROFESSIONAL STAND-
ARDS.—A nursing facility, whether freestanding
or hospital-based, must operate and provide
services in compliance with all applicable Fed-
eral, State, and local laws and regulations (in-
cluding the requirements of section 1124) and
with accepted professional standards and prin-
ciples which apply to professionals providing
services in such a facility.

"(B) OTHER.—A nursing facility must
meet such other requirements relating to the
health and safety of residents or relating to the
physical facilities thereof as the Secretary may
find necessary.

"(e) STATE REQUIREMENTS RELATING TO NURSING
FACILITY REQUIREMENTS.—A State with a State plan
under this title shall provide for the following:

"(1) SPECIFICATION AND REVIEW OF NURSE
AIDE TRAINING AND COMPETENCY EVALUATION
PROGRAMS AND OF NURSE AIDE COMPETENCY EVAL-
UATION PROGRAMS.—The State must—

"(A) specify those training and competency
evaluation programs, and those competency
evaluation programs, that the State approves
for purposes of subsection (b)(5) and that meet
the requirements established under subsection
(f)(2), and

"(B) provide for the review and reapproval
of such programs, at a frequency and using a
methodology consistent with the requirements
established under subsection (f)(2)(A)(iii).

"(2) NURSE AIDE REGISTRY.—
“(A) IN GENERAL.—The State shall establish and maintain a registry of all individuals who have satisfactorily completed a nurse aide training and competency evaluation program, or a nurse aide competency evaluation program, approved under paragraph (1) in the State, or any individual described in subsection (f)(2)(B)(ii) or in subparagraph (B), (C), or (D) of section 6901(b)(4) of the Omnibus Budget Reconciliation Act of 1989.

“(B) INFORMATION IN REGISTRY.—The registry under subparagraph (A) shall provide (in accordance with regulations of the Secretary) for the inclusion of specific documented findings by a State under subsection (g)(1)(C) of resident neglect or abuse or misappropriation of resident property involving an individual listed in the registry, as well as any brief statement of the individual disputing the findings. The State shall make available to the public information in the registry. In the case of inquiries to the registry concerning an individual listed in the registry, any information disclosed concerning such a finding shall also include disclosure of any such statement in the registry re-
lating to the finding or a clear and accurate
summary of such a statement.

"(C) PROHIBITION AGAINST CHARGES.—A
State may not impose any charges on a nurse
aide relating to the registry established and
maintained under subparagraph (A).

"(3) STATE APPEALS PROCESS FOR TRANSFERS
AND DISCHARGES.—The State must provide for a
fair mechanism, meeting the guidelines established
under subsection (f)(3), for hearing appeals on
transfers and discharges of residents of such facili-
ties.

"(4) NURSING FACILITY ADMINISTRATOR
STANDARDS.—The State must implement and en-
force the nursing facility administrator standards
developed under subsection (f)(4) respecting the
qualification of administrators of nursing facilities.
Any such standards promulgated shall apply to ad-
ministrators of hospital-based facilities as well as ad-
ministrators of freestanding facilities.

"(5) SPECIFICATION OF RESIDENT ASSESSMENT
INSTRUMENT.—The State shall specify the instru-
ment to be used by nursing facilities in the State in
complying with the requirement of subsection
(b)(3)(A)(iii). Such instrument shall be—
(A) one of the instruments designated under subsection (f)(6)(B), or

(B) an instrument which the Secretary has approved as being consistent with the minimum data set of core elements, common definitions, and utilization guidelines specified by the Secretary under subsection (f)(6)(A).

"(6) NOTICE OF RIGHTS.—Each State shall develop (and periodically update) a written notice of the rights and obligations of residents of nursing facilities (and spouses of such residents) under this title.

"(7) STATE REQUIREMENTS FOR PREADMISSION SCREENING AND RESIDENT REVIEW.—

"(A) PREADMISSION SCREENING.—

"(i) IN GENERAL.—The State must have in effect a preadmission screening program, for identifying mentally ill and mentally retarded individuals (as defined in subparagraph (B)) who are admitted to nursing facilities and for determining whether they require the level of services of such a facility.
“(ii) STATE REQUIREMENT FOR RESIDENT REVIEW.—The State shall notify the State mental health authority or the State mental retardation or developmental disability authority, as appropriate, of the individuals so identified.

“(B) DEFINITIONS.—In this paragraph:

“(i) An individual is considered to be ‘mentally ill’ if the individual has a serious mental illness (as defined by the Secretary in consultation with the National Institute of Mental Health) and does not have a primary diagnosis of dementia (including Alzheimer’s disease or a related disorder) or a diagnosis (other than a primary diagnosis) of dementia and a primary diagnosis that is not a serious mental illness.

“(ii) An individual is considered to be ‘mentally retarded’ if the individual is mentally retarded or a person with a related condition.

“(f) RESPONSIBILITIES RELATING TO NURSING FACILITY REQUIREMENTS.—

“(1) GENERAL RESPONSIBILITY.—It is the duty and responsibility of the Secretary to assure that re-
quirements which govern the provision of care in
nursing facilities under State plans approved under
this title, and the enforcement of such requirements,
are adequate to protect the health, safety, welfare,
and rights of residents and to promote the effective
and efficient use of public moneys.

"(2) REQUIREMENTS FOR NURSE AIDE TRAIN-
ING AND COMPETENCY EVALUATION PROGRAMS AND
FOR NURSE AIDE COMPETENCY EVALUATION PRO-
GRAMS.—

"(A) IN GENERAL.—For purposes of sub-
sections (b)(5) and (e)(1)(A), the Secretary
shall establish—

"(i) requirements for the approval of
nurse aide training and competency evalua-
tion programs, including requirements re-
lating to (I) the areas to be covered in
such a program (including at least basic
nursing skills, personal care skills, recogni-
tion of mental health and social service
needs, care of cognitively impaired resi-
dents, basic restorative services, and resi-
dents’ rights) and content of the curricu-
um, (II) minimum hours of initial and on-
going training and retraining (including
not less than 75 hours in the case of initial
training), (III) qualifications of instruc-
tors, and (IV) procedures for determina-
tion of competency;

“(ii) requirements for the approval of
nurse aide competency evaluation pro-
grams, including requirement relating to
the areas to be covered in such a program,
including at least basic nursing skills, per-
sonal care skills, recognition of mental
health and social service needs, care of
cognitively impaired residents, basic restor-
avative services, and residents’ rights, and
procedures for determination of com-
petency;

“(iii) requirements respecting the
minimum frequency and methodology to be
used by a State in reviewing such pro-
grams’ compliance with the requirements
for such programs; and

“(iv) requirements, under both such
programs, that—

“(I) provide procedures for deter-
mining competency that permit a
nurse aide, at the nurse aide’s option,
to establish competency through procedures or methods other than the passing of a written examination and to have the competency evaluation conducted at the nursing facility at which the aide is (or will be) employed (unless the facility is described in subparagraph (B)(iii)(I)),

“(II) prohibit the imposition on a nurse aide who is employed by (or who has received an offer of employment from) a facility on the date on which the aide begins either such program of any charges (including any charges for textbooks and other required course materials and any charges for the competency evaluation) for either such program, and

“(III) in the case of a nurse aide not described in subclause (II) who is employed by (or who has received an offer of employment from) a facility not later than 12 months after completing either such program, the State shall provide for the reimbursement of
costs incurred in completing such program on a prorata basis during the period in which the nurse aide is so employed.

"(B) APPROVAL OF CERTAIN PROGRAMS.— Such requirements—

"(i) may permit approval of programs offered by or in facilities, as well as outside facilities (including employee organizations);

"(ii) shall permit a State to find that an individual who has completed (before July 1, 1989) a nurse aide training and competency evaluation program shall be deemed to have completed such a program approved under subsection (b)(5) if the State determines that, at the time the program was offered, the program met the requirements for approval under such paragraph; and

"(iii) subject to subparagraph (C), shall prohibit approval of such a program—
“(I) offered by or in a nursing facility which, within the previous 2 years—

“(a) has operated under a waiver under subsection (b)(4)(C)(ii) that was granted on the basis of a demonstration that the facility is unable to provide the nursing care required under subsection (b)(4)(C)(i) for a period in excess of 48 hours during a week;

“(b) has been subject to an extended (or partial extended) survey under section 1819(g)(2)(B)(i) or subsection (g)(2)(B)(i); or

“(c) has been assessed a civil money penalty described in section 1819(h)(2)(B)(ii) or subsection (h)(2)(A)(ii) of not less than $5,000, or has been subject to a remedy described in subsection (h)(1)(B)(i), clauses (i), (iii), or (iv) of subsection
(h)(2)(A), clauses (i) or (iii) of section 1819(h)(2)(B), or section 1819(h)(4), or

"(II) offered by or in a nursing facility unless the State makes the determination, upon an individual's completion of the program, that the individual is competent to provide nursing and nursing-related services in nursing facilities.

A State may not delegate (through subcontract or otherwise) its responsibility under clause (iii)(II) to the nursing facility.

"(C) WAIVER AUTHORIZED.—Clause (iii) of subparagraph (B) shall not apply to a program offered in (but not by) a nursing facility in a State if the State—

"(i) determines that there is no other such program offered within a reasonable distance of the facility,

"(ii) ensures, through an oversight effort, that an adequate environment exists for operating the program in the facility, and
“(iii) provides notice of such determination and assurances to the State long-
term care ombudsman.

“(3) FEDERAL GUIDELINES FOR STATE AP-
PEALS PROCESS FOR TRANSFERS AND DIS-
CHARGES.—For purposes of subsections
(c)(2)(B)(iii) and (e)(3), the Secretary shall estab-
lish guidelines for minimum standards which State
appeals processes under subsection (e)(3) must meet
to provide a fair mechanism for hearing appeals on
transfers and discharges of residents from nursing
facilities.

“(4) QUALIFICATION OF ADMINISTRATORS.—
For purposes of subsections (d)(1)(C) and (e)(4),
the Secretary shall develop standards to be applied
in assuring the qualifications of administrators of
nursing facilities. Any such standards must apply to
administrators of hospital-based facilities as well as
administrators of freestanding facilities.

“(5) CRITERIA FOR ADMINISTRATION.—The
Secretary shall establish criteria for assessing a
nursing facility’s compliance with the requirement of
subsection (d)(1) with respect to—

“(A) its governing body and management,
“(B) agreements with hospitals regarding transfers of residents to and from the hospitals and to and from other nursing facilities,

“(C) disaster preparedness,

“(D) direction of medical care by a physician,

“(E) laboratory and radiological services,

“(F) clinical records, and

“(G) resident and advocate participation.

“(6) SPECIFICATION OF RESIDENT ASSESSMENT DATA SET AND INSTRUMENTS.—The Secretary shall—

“(A) specify a minimum data set of core elements and common definitions for use by nursing facilities in conducting the assessments required under subsection (b)(3), and establish guidelines for utilization of the data set; and

“(B) designate one or more instruments which are consistent with the specification made under subparagraph (A) and which a State may specify under subsection (e)(5)(A) for use by nursing facilities in complying with the requirements of subsection (b)(3)(A)(iii).

“(7) LIST OF ITEMS AND SERVICES FURNISHED IN NURSING FACILITIES NOT CHARGEABLE TO THE
PERSONAL FUNDS OF A RESIDENT.—The Secretary shall issue regulations that define those costs which may be charged to the personal funds of residents in nursing facilities who are individuals receiving medical assistance with respect to nursing facility services under this title and those costs which are to be included in the payment amount under this title for nursing facility services.

"(8) CRITERIA FOR MONITORING STATE WAIVERS.—The Secretary shall develop criteria and procedures for monitoring State performances in granting waivers pursuant to subsection (b)(4)(C)(ii).

"(g) SURVEY AND CERTIFICATION PROCESS.—

"(1) STATE AND FEDERAL RESPONSIBILITY.—

"(A) IN GENERAL.—Under each State plan under this title, the State shall be responsible for certifying, in accordance with surveys conducted under paragraph (2), the compliance of nursing facilities (other than facilities of the State) with the requirements of subsections (b), (c), and (d). The Secretary shall be responsible for certifying, in accordance with surveys conducted under paragraph (2), the compliance of State nursing facilities with the requirements of such subsections.
“(B) EDUCATIONAL PROGRAM.—Each State shall conduct periodic educational programs for the staff and residents (and their representatives) of nursing facilities in order to present current regulations, procedures, and policies under this section.

“(C) INVESTIGATION OF ALLEGATIONS OF RESIDENT NEGLECT AND ABUSE AND MISAPPROPRIATION OF RESIDENT PROPERTY.—The State shall provide, through the agency responsible for surveys and certification of nursing facilities under this subsection, for a process for the receipt and timely review and investigation of allegations of neglect and abuse and misappropriation of resident property by a nurse aide of a resident in a nursing facility or by another individual used by the facility in providing services to such a resident. The State shall, after notice to the individual involved and a reasonable opportunity for a hearing for the individual to rebut allegations, make a finding as to the accuracy of the allegations. If the State finds that a nurse aide has neglected or abused a resident or misappropriated resident property in a facility, the State shall notify the nurse
aide and the registry of such finding. If the State finds that any other individual used by the facility has neglected or abused a resident or misappropriated resident property in a facility, the State shall notify the appropriate licensure authority. A State shall not make a finding that an individual has neglected a resident if the individual demonstrates that such neglect was caused by factors beyond the control of the individual.

“(2) Surveys.—

“(A) Annual Standard Survey.—

“(i) In General.—Each nursing facility shall be subject to a standard survey, to be conducted without any prior notice to the facility. Any individual who notifies (or causes to be notified) a nursing facility of the time or date on which such a survey is scheduled to be conducted is subject to a civil money penalty of not to exceed $2,000. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or pro-
ceeding under section 1128A(a). The Secretary shall review each State's procedures for scheduling and conduct of standard surveys to assure that the State has taken all reasonable steps to avoid giving notice of such a survey through the scheduling procedures and the conduct of the surveys themselves.

"(ii) CONTENTS.—Each standard survey shall include, for a case-mix stratified sample of residents—

"(I) a survey of the quality of care furnished, as measured by indicators of medical, nursing, and rehabilitative care, dietary and nutrition services, activities and social participation, and sanitation, infection control, and the physical environment,

"(II) written plans of care provided under subsection (b)(2) and an audit of the residents' assessments under subsection (b)(3) to determine the accuracy of such assessments and the adequacy of such plans of care, and

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"(III) a review of compliance with residents' rights under subsection (e).

"(iii) FREQUENCY.—

"(I) IN GENERAL.—Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted under this subparagraph. The statewide average interval between standard surveys of a nursing facility shall not exceed 12 months.

"(II) SPECIAL SURVEYS.—If not otherwise conducted under subclause (I), a standard survey (or an abbreviated standard survey) may be conducted within 2 months of any change of ownership, administration, management of a nursing facility, or director of nursing in order to determine whether the change has resulted in any decline in the quality of care furnished in the facility.

"(B) EXTENDED SURVEYS.—
"(i) IN GENERAL.—Each nursing facility which is found, under a standard survey, to have provided substandard quality of care shall be subject to an extended survey. Any other facility may, at the Secretary's or State's discretion, be subject to such an extended survey (or a partial extended survey).

"(ii) TIMING.—The extended survey shall be conducted immediately after the standard survey (or, if not practicable, not later than 2 weeks after the date of completion of the standard survey).

"(iii) CONTENTS.—In such an extended survey, the survey team shall review and identify the policies and procedures which produced such substandard quality of care and shall determine whether the facility has complied with all the requirements described in subsections (b), (c), and (d). Such review shall include an expansion of the size of the sample of residents' assessments reviewed and a review of the staffing, of in-service training, and,
if appropriate, of contracts with consultants.

"(iv) CONSTRUCTION.—Nothing in this paragraph shall be construed as requiring an extended or partial extended survey as a prerequisite to imposing a sanction against a facility under subsection (h) on the basis of findings in a standard survey.

"(C) SURVEY PROTOCOL.—Standard and extended surveys shall be conducted—

"(i) based upon the protocol which the Secretary has developed, tested, and validated, as of the date of the enactment of this title, and

"(ii) by individuals, of a survey team, who meet such minimum qualifications as the Secretary establishes.

"(D) CONSISTENCY OF SURVEYS.—Each State shall implement programs to measure and reduce inconsistency in the application of survey results among surveyors.

"(E) SURVEY TEAMS.—

"(i) IN GENERAL.—Surveys under this subsection shall be conducted by a
multidisciplinary team of professionals (including a registered professional nurse).

"(ii) **PROHIBITION OF CONFLICTS OF INTEREST.**—A State may not use as a member of a survey team under this subsection an individual who is serving (or has served within the previous 2 years) as a member of the staff of, or as a consultant to, the facility surveyed respecting compliance with the requirements of subsections (b), (c), and (d), or who has a personal or familial financial interest in the facility being surveyed.

"(iii) **TRAINING.**—The Secretary shall provide for the comprehensive training of State and Federal surveyors in the conduct of standard and extended surveys under this subsection, including the auditing of resident assessments and plans of care. No individual shall serve as a member of a survey team unless the individual has successfully completed a training and testing program in survey and certification techniques that has been approved by the Secretary.
“(3) VALIDATION SURVEYS.—

“(A) IN GENERAL.—The Secretary shall conduct onsite surveys of a representative sample of nursing facilities in each State, within 2 months of the date of surveys conducted under paragraph (2) by the State, in a sufficient number to allow inferences about the adequacies of each State’s surveys conducted under paragraph (2). In conducting such surveys, the Secretary shall use the same survey protocols as the State is required to use under paragraph (2). If the State has determined that an individual nursing facility meets the requirements of subsections (b), (c), and (d), but the Secretary determines that the facility does not meet such requirements, the Secretary’s determination as to the facility’s noncompliance with such requirements is binding and supersedes that of the State survey.

“(B) SCOPE.—With respect to each State, the Secretary shall conduct surveys under subparagraph (A) each year with respect to at least 5 percent of the number of nursing facilities surveyed by the State in the year, but in no case less than 5 nursing facilities in the State.
"(C) REDUCTION IN ADMINISTRATIVE COSTS FOR SUBSTANDARD PERFORMANCE.—If the Secretary finds, on the basis of such surveys, that a State has failed to perform surveys as required under paragraph (2) or that a State's survey and certification performance otherwise is not adequate, the Secretary may provide for the training of survey teams in the State and shall provide for a reduction of the payment otherwise made to the State under section 1512(a)(3)(C) with respect to a quarter equal to 33 percent multiplied by a fraction, the denominator of which is equal to the total number of residents in nursing facilities surveyed by the Secretary that quarter and the numerator of which is equal to the total number of residents in nursing facilities which were found pursuant to such surveys to be not in compliance with any of the requirements of sub-sections (b), (c), and (d). A State that is dissatisfied with the Secretary's findings under this subparagraph may obtain reconsideration and review of the findings under section 1116 in the same manner as a State may seek reconsideration and review under that section of the Sec-
retary's determination under section 1116(a)(1).

“(D) SPECIAL SURVEYS OF COMPLIANCE.—Where the Secretary has reason to question the compliance of a nursing facility with any of the requirements of subsections (b), (c), and (d), the Secretary may conduct a survey of the facility and, on the basis of that survey, make independent and binding determinations concerning the extent to which the nursing facility meets such requirements.

“(4) INVESTIGATION OF COMPLAINTS AND MONITORING NURSING FACILITY COMPLIANCE.—Each State shall maintain procedures and adequate staff to—

“(A) investigate complaints of violations of requirements by nursing facilities, and

“(B) monitor, on-site, on a regular, as needed basis, a nursing facility's compliance with the requirements of subsections (b), (c), and (d), if—

“(i) the facility has been found not to be in compliance with such requirements and is in the process of correcting deficiencies to achieve such compliance;
“(ii) the facility was previously found not to be in compliance with such requirements, has corrected deficiencies to achieve such compliance, and verification of continued compliance is indicated; or

“(iii) the State has reason to question the compliance of the facility with such requirements.

A State may maintain and utilize a specialized team (including an attorney, an auditor, and appropriate health care professionals) for the purpose of identifying, surveying, gathering and preserving evidence, and carrying out appropriate enforcement actions against substandard nursing facilities.

“(5) DISCLOSURE OF RESULTS OF INSPECTIONS AND ACTIVITIES.—

“(A) PUBLIC INFORMATION.—Each State, and the Secretary, shall make available to the public—

“(i) information respecting all surveys and certifications made respecting nursing facilities, including statements of deficiencies, within 14 calendar days after
such information is made available to those facilities, and approved plans of correction,

"(ii) copies of cost reports of such facilities filed under this title or under title XVIII,

"(iii) copies of statements of ownership under section 1124, and

"(iv) information disclosed under section 1126.

"(B) NOTICE TO OMBUDSMAN.—Each State shall notify the State long-term care ombudsman (established under title III or VII of the Older Americans Act of 1965 in accordance with section 712 of the Act) of the State's findings of noncompliance with any of the requirements of subsections (b), (e), and (d), or of any adverse action taken against a nursing facility under paragraphs (1), (2), or (3) of subsection (h), with respect to a nursing facility in the State.

"(C) NOTICE TO PHYSICIANS AND NURSING FACILITY ADMINISTRATOR LICENSING BOARD.—If a State finds that a nursing facility has provided substandard quality of care, the State shall notify—
“(i) the attending physician of each resident with respect to which such finding is made, and

“(ii) any State board responsible for the licensing of the nursing facility administrator of the facility.

“(D) ACCESS TO FRAUD CONTROL UNITS.—Each State shall provide its State fraud and abuse control unit (established under section 1554) with access to all information of the State agency responsible for surveys and certifications under this subsection.

“(h) ENFORCEMENT PROCESS.—

“(1) IN GENERAL.—If a State finds, on the basis of a standard, extended, or partial extended survey under subsection (g)(2) or otherwise, that a nursing facility no longer meets a requirement of subsection (b), (c), or (d)—

“(A) the State shall require the facility to correct the deficiency involved;

“(B) if the State finds that the facility’s deficiencies immediately jeopardize the health or safety of its residents, the State shall take immediate action to remove the jeopardy and correct the deficiencies through the remedy...
specified in paragraph (2)(A)(iii), or terminate the facility's participation under the State plan and may provide, in addition, for one or more of the other remedies described in paragraph (2); and

"(C) if the State finds that the facility's deficiencies do not immediately jeopardize the health or safety of its residents, the State may—

"(i) terminate the facility's participation under the State plan,

"(ii) provide for one or more of the remedies described in paragraph (2), or

"(iii) do both.

Nothing in this paragraph shall be construed as restricting the remedies available to a State to remedy a nursing facility's deficiencies. If a State finds that a nursing facility meets the requirements of subsections (b), (c), and (d), but, as of a previous period, did not meet such requirements, the State may provide for a civil money penalty under paragraph (2)(A)(ii) for the days in which it finds that the facility was not in compliance with such requirements.

"(2) SPECIFIED REMEDIES.—
"(A) LISTING.—Except as provided in sub-
paragraph (B), each State shall establish by law
(whether statute or regulation) at least the fol-
lowing remedies:

"(i) Denial of payment under the
State plan with respect to any individual
admitted to the nursing facility involved
after such notice to the public and to the
facility as may be provided for by the
State.

"(ii) A civil money penalty assessed
and collected, with interest, for each day in
which the facility is or was out of compli-
ance with a requirement of subsection (b),
(c), or (d). Funds collected by a State as
a result of imposition of such a penalty (or
as a result of the imposition by the State
of a civil money penalty for activities de-
scribed in subsections (b)(3)(B)(ii)(I),
(b)(3)(B)(ii)(II), or (g)(2)(A)(i)) shall be
applied to the protection of the health or
property of residents of nursing facilities
that the State or the Secretary finds defi-
cient, including payment for the costs of
relocation of residents to other facilities,
maintenance of operation of a facility pending correction of deficiencies or closure, and reimbursement of residents for personal funds lost.

"(iii) The appointment of temporary management to oversee the operation of the facility and to assure the health and safety of the facility's residents, where there is a need for temporary management while—

"(I) there is an orderly closure of the facility, or

"(II) improvements are made in order to bring the facility into compliance with all the requirements of subsections (b), (c), and (d).

The temporary management under this clause shall not be terminated under sub-clause (II) until the State has determined that the facility has the management capability to ensure continued compliance with all the requirements of subsections (b), (c), and (d).

"(iv) The authority, in the case of an emergency, to close the facility, to transfer..."
residents in that facility to other facilities, or both.

The State also shall specify criteria, as to when and how each of such remedies is to be applied, the amounts of any fines, and the severity of each of these remedies, to be used in the imposition of such remedies. Such criteria shall be designed so as to minimize the time between the identification of violations and final imposition of the remedies and shall provide for the imposition of incrementally more severe fines for repeated or uncorrected deficiencies. In addition, the State may provide for other specified remedies, such as directed plans of correction.

"(B) GUIDANCE AND ALTERNATIVE REMEDIES.—(i) The Secretary shall provide through regulations guidance to States in establishing remedies under clauses (i) through (iv) of subparagraph (A).

"(ii) A State may establish alternative remedies (other than termination of participation) other than those described in clauses (i) through (iv) of subparagraph (A), if the State demonstrates to the Secretary's satisfaction that the alternative remedies are as effective in
deterring noncompliance and correcting deficiencies as those described in such subparagraph.

"(C) ASSURING PROMPT COMPLIANCE.—If a nursing facility has not complied with any of the requirements of subsections (b), (c), and (d), within 3 months after the date the facility is found to be out of compliance with such requirements, the State shall impose the remedy described in subparagraph (A)(i) for all individuals who are admitted to the facility after such date.

"(D) REPEATED NONCOMPLIANCE.—In the case of a nursing facility which, on 3 consecutive standard surveys conducted under subsection (g)(2), has been found to have provided substandard quality of care, the State shall (regardless of what other remedies are provided)—

"(i) impose the remedy described in subparagraph (A)(i), and

"(ii) monitor the facility under subsection (g)(4)(B),

until the facility has demonstrated, to the satisfaction of the State, that it is in compliance with the requirements of subsections (b), (c),
and (d), and that it will remain in compliance with such requirements.

"(E) FUNDING.—The reasonable expenditures of a State to provide for temporary management and other expenses associated with implementing the remedies described in clauses (iii) and (iv) of subparagraph (A) shall be considered, for purposes of section 1512(a)(3)(C), to be necessary for the proper and efficient administration of the State plan.

"(F) INCENTIVES FOR HIGH QUALITY CARE.—In addition to the remedies specified in this paragraph, a State may establish a program to reward, through public recognition, incentive payments, or both, nursing facilities that provide the highest quality care to residents who are entitled to medical assistance under this title. For purposes of section 1512(a)(3)(C), proper expenses incurred by a State in carrying out such a program shall be considered to be expenses necessary for the proper and efficient administration of the State plan.

"(3) SECRETARIAL AUTHORITY.—
“(A) FOR STATE NURSING FACILITIES.—With respect to a State nursing facility, the Secretary shall have the authority and duties of a State under this subsection, including the authority to impose remedies described in clauses (i), (ii), and (iii) of paragraph (2)(A). Nothing in this subparagraph shall be construed as restricting the remedies available to the Secretary to remedy a nursing facility’s deficiencies.

“(B) OTHER NURSING FACILITIES.—With respect to any other nursing facility in a State, if the Secretary finds that a nursing facility no longer meets a requirement of subsection (b), (c), (d), or (e), and further finds that the facility’s deficiencies—

“(i) immediately jeopardize the health or safety of its residents, the Secretary shall take immediate action to remove the jeopardy and correct the deficiencies through the remedy specified in subparagraph (C)(iii), or terminate the facility’s participation under the State plan and may provide, in addition, for one or more of the other remedies described in subparagraph (C); or
“(ii) do not immediately jeopardize the health or safety of its residents, the Secretary may impose any of the remedies described in subparagraph (C).

Nothing in this subparagraph shall be construed as restricting the remedies available to the Secretary to remedy a nursing facility’s deficiencies. If the Secretary finds that a nursing facility meets such requirements but, as of a previous period, did not meet such requirements, the Secretary may provide for a civil money penalty under subparagraph (C)(ii) for the days on which he finds that the facility was not in compliance with such requirements.

“(C) SPECIFIED REMEDIES.—The remedies specified in this subparagraph are as follows:

“(i) DENIAL OF PAYMENT.—Denial of any further payments to the State in accordance with section 1529(f) for medical assistance furnished by the facility to all individuals in the facility or to individuals admitted to the facility after the effective date of the finding.
“(ii) Authority with respect to civil money penalties.—Imposition of a civil money penalty against the facility in an amount not to exceed $10,000 for each day of noncompliance. The provisions of section 1128A (other than subsections (a) and (b)) shall apply to a civil money penalty under the previous sentence in the same manner as such provisions apply to a penalty or proceeding under section 1128A(a).

“(iii) Appointment of temporary management.—Appointment of temporary management to oversee the operation of the facility and to assure the health and safety of the facility’s residents, where there is a need for temporary management while—

“(I) there is an orderly closure of the facility, or

“(II) improvements are made in order to bring the facility into compliance with all the requirements of subsections (b), (c), and (d).
The temporary management under this clause shall not be terminated under subclause (II) until the Secretary has determined that the facility has the management capability to ensure continued compliance with all the requirements of subsections (b), (c), and (d).

The Secretary shall specify criteria, as to when and how each of such remedies is to be applied, the amounts of any fines, and the severity of each of these remedies, to be used in the imposition of such remedies. Such criteria shall be designed so as to minimize the time between the identification of violations and final imposition of the remedies and shall provide for the imposition of incrementally more severe fines for repeated or uncorrected deficiencies. In addition, the Secretary may provide for other specified remedies, such as directed plans of correction.

“(D) CONTINUATION OF PAYMENTS PENDING REMEDIATION.—The Secretary may continue payments, over a period of not longer than 6 months after the effective date of the findings, under this title with respect to a nurs-
ing facility not in compliance with a require-
ment of subsection (b), (c), or (d), if—

“(i) the State survey agency finds
that it is more appropriate to take alter-
native action to assure compliance of the
facility with the requirements than to ter-
minate the certification of the facility,

“(ii) the State has submitted a plan
and timetable for corrective action to the
Secretary for approval and the Secretary
approves the plan of corrective action, and

“(iii) the State agrees to repay to the
Federal Government payments received
under this subparagraph if the corrective
action is not taken in accordance with the
approved plan and timetable.

The Secretary shall establish guidelines for ap-
proval of corrective actions requested by States
under this subparagraph.

“(4) SPECIAL RULES REGARDING PAYMENTS TO
FACILITIES.—

“(A) CONTINUATION OF PAYMENTS PEND-
ing REMEDIATION.—The State or the Sec-
retary, as appropriate, may continue payments,
over a period of not longer than 6 months after
the effective date of the findings, under this title with respect to a nursing facility not in compliance with a requirement of subsection (b), (c), or (d). The State may continue such payments only if—

"(i) the State survey agency finds that it is more appropriate to take alternative action to assure compliance of the facility with the requirements than to terminate the certification of the facility,

"(ii) the State has submitted a plan and timetable for corrective action to the Secretary for approval and the Secretary approves the plan of corrective action, and

"(iii) the State agrees to repay to the Federal Government payments received under this subparagraph if the corrective action is not taken in accordance with the approved plan and timetable.

The Secretary shall establish guidelines for approval of corrective actions requested by States under this subparagraph.

"(B) EFFECTIVE PERIOD OF DENIAL OF PAYMENT.—A finding to deny payment under this subsection shall terminate when the State
or Secretary (as the case may be) finds that the
facility is in substantial compliance with all the
requirements of subsections (b), (c), and (d).

"(5) IMMEDIATE TERMINATION OF PARTICI-
PATION FOR FACILITY WHERE STATE OR SECRETARY
FINDS NONCOMPLIANCE AND IMMEDIATE JEOP-
ARDY.—If either the State or the Secretary finds
that a nursing facility has not met a requirement of
subsection (b), (c), or (d), and finds that the failure
immediately jeopardizes the health or safety of its residents, the State or the Secretary, respectively
shall notify the other of such finding, and the State
or the Secretary, respectively, shall take immediate
action to remove the jeopardy and correct the defi-
ciencies through the remedy specified in paragraph
(2)(A)(iii) or (3)(C)(iii), or terminate the facility’s participation under the State plan. If the facility’s participation in the State plan is terminated by ei-
ther the State or the Secretary, the State shall pro-
vide for the safe and orderly transfer of the resi-
dents eligible under the State plan consistent with
the requirements of subsection (c)(2).

"(6) SPECIAL RULES WHERE STATE AND SEC-
RETARY DO NOT AGREE ON FINDING OF NON-
COMPLIANCE.—
"(A) STATE FINDING OF NONCOMPLIANCE AND NO SECRETARIAL FINDING OF NONCOMPLIANCE.—If the Secretary finds that a nursing facility has met all the requirements of subsections (b), (c), and (d), but a State finds that the facility has not met such requirements and the failure does not immediately jeopardize the health or safety of its residents, the State's findings shall control and the remedies imposed by the State shall be applied.

“(B) SECRETARIAL FINDING OF NONCOMPLIANCE AND NO STATE FINDING OF NONCOMPLIANCE.—If the Secretary finds that a nursing facility has not met all the requirements of subsections (b), (c), and (d), and that the failure does not immediately jeopardize the health or safety of its residents, but the State has not made such a finding, the Secretary—

“(i) may impose any remedies specified in paragraph (3)(C) with respect to the facility, and

“(ii) shall (pending any termination by the Secretary) permit continuation of payments in accordance with paragraph (3)(D).
“(7) SPECIAL RULES FOR TIMING OF TERMINATION OF PARTICIPATION WHERE REMEDIES OVERLAP.—If both the Secretary and the State find that a nursing facility has not met all the requirements of subsections (b), (c), and (d), and neither finds that the failure immediately jeopardizes the health or safety of its residents—

“(A)(i) if both find that the facility’s participation under the State plan should be terminated, the State’s timing of any termination shall control so long as the termination date does not occur later than 6 months after the date of the finding to terminate;

“(ii) if the Secretary, but not the State, finds that the facility’s participation under the State plan should be terminated, the Secretary shall (pending any termination by the Secretary) permit continuation of payments in accord with paragraph (3)(D); or

“(iii) if the State, but not the Secretary, finds that the facility’s participation under the State plan should be terminated, the State’s decision to terminate, and timing of such termination, shall control; and
“(B) (i) if the Secretary or the State, but not both, establishes one or more remedies which are additional or alternative to the remedy of terminating the facility's participation under the State plan, such additional or alternative remedies shall also be applied, or

“(ii) if both the Secretary and the State establish one or more remedies which are additional or alternative to the remedy of terminating the facility's participation under the State plan, only the additional or alternative remedies of the Secretary shall apply.

“(8) CONSTRUCTION.—The remedies provided under this subsection are in addition to those otherwise available under Federal or State law and shall not be construed as limiting such other remedies, including any remedy available to an individual at common law. The remedies described in clauses (i), (iii), and (iv) of paragraph (2)(A) may be imposed during the pendency of any hearing. The provisions of this subsection shall apply to a nursing facility (or portion thereof) notwithstanding that the facility (or portion thereof) also is a skilled nursing facility for purposes of title XVIII.
“(9) **SHARING OF INFORMATION.**—Notwithstanding any other provision of law, all information concerning nursing facilities required by this section to be filed with the Secretary or a State agency shall be made available by such facilities to Federal or State employees for purposes consistent with the effective administration of programs established under this title and title XVIII, including investigations by State fraud control units.

“(i) **CONSTRUCTION.**—Where requirements or obligations under this section are identical to those provided under section 1819 of this Act, the fulfillment of those requirements or obligations under section 1819 shall be considered to be the fulfillment of the corresponding requirements or obligations under this section.

“(j) **REPORT.**—Not later than 2 years after the date of the enactment of the Medicaid Restructuring Act of 1996, and annually thereafter, the Secretary shall submit a report to the Congress analyzing—

“(1) the differences between the reimbursement rates established under the State plan under this title, and the reimbursement rates that applied under the State plan under title XIX (as in effect on the date of the enactment of such Act) for nurs-
ing facility services and other medical assistance
provided by such facilities; and

“(2) whether and how such differences have af-
affected the quality of such services or assistance.

"SEC. 1558. OTHER PROVISIONS PROMOTING PROGRAM IN-
TEGRITY.

“(a) PUBLIC ACCESS TO SURVEY RESULTS.—Each
State plan shall provide that upon completion of a survey
of any health care facility or organization by a State agen-
cy 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 or-
ganization with requirements of law.

“(b) RECORD KEEPING.—Each State plan shall pro-
vide for agreements with persons or institutions providing
services under the plan under which the person or institu-
tion agrees—

“(1) to keep such records, including ledgers,
books, and original evidence of costs, as are nec-
essary to fully disclose the extent of the services pro-
vided to individuals receiving assistance under the
plan, and

“(2) to furnish the State agency with such in-
formation regarding any payments claimed by such
person or institution for providing services under the
plan, as the State agency may from time to time re-
quest.

"(c) QUALITY ASSURANCE.—

"(1) IN GENERAL.—Each State plan shall pro-
vide a program to—

"(A) ensure the quality of services pro-
vided under the plan, including such services
provided to individuals with chronic mental or
physical illness; and

"(B) measure, evaluate, and improve the
quality of care delivered under such plan, in-
cluding services delivered by a capitated health
care organization or through a primary care
case management provider.

"(2) ESTABLISHMENT OF MINIMUM STANDARDS
FOR SERVICES FOR INDIVIDUALS WITH DEVELO-
OPMENTAL DISABILITIES.—

"(A) IN GENERAL.—The Secretary, in con-
sultation with the States, shall establish, mon-
itor, and enforce minimum health, safety, and
welfare standards for eligible low-income indi-
viduals with developmental disabilities who re-
ceive intermediate care facility services for the
mentally retarded, home and community-based
health care services and related supportive serv-

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ices, community supported living arrangements, assisted living arrangements, and transitional living arrangements in the community. Such standards shall ensure that individuals receiving such services are protected from neglect, physical and sexual abuse, financial exploitation, inappropriate involuntary restraint, and the provision of health care services by unqualified personnel.

"(B) PUBLIC PARTICIPATION.—The State plan shall contain provisions that ensure the involvement of consumers, family members, and the local community in planning the provision of such services to such individuals and ensuring the quality assurance of such services.

"(d) PROHIBITION AGAINST CONFLICTS OF INTEREST.—Each State plan shall provide that each State or local officer or employee who is responsible for the expenditure of substantial amounts of funds under the State plan, each individual who formerly was such an officer or employee, and each partner of such an officer or employee shall be prohibited from committing any act, in relation to any activity under the plan, the commission of which, in connection with any activity concerning the United States Government, by an officer or employee of the Unit-
ed States Government, an individual who was such an officer or employee, or a partner of such an officer or employee is prohibited by section 207 or 208 of title 18, United States Code.

"(e) NONDISCRIMINATION PROVISIONS.—Any program or activity that receives funds under this part shall be subject to enforcement authorized under the following provisions of law:


"(4) Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.).

"PART E—GENERAL PROVISIONS

"SEC. 1571. DEFINITIONS.

"(a) MEDICAL ASSISTANCE.—For purposes of this title, the term 'medical assistance' means payment of part or all of the cost of any of the following, or assistance in the purchase, in whole or in part, of health benefit coverage that includes any of the following, for eligible low-income individuals (as defined in subsection (b)) as specified under the State plan:
“(1) Inpatient hospital services.
“(2) Outpatient hospital services.
“(3) Physician services.
“(4) Surgical services.
“(5) Clinic services and other ambulatory health care services.
“(6) Nursing facility services.
“(7) Intermediate care facility services for the mentally retarded.
“(8) Prescription drugs and biologicals and the administration of such drugs and biologicals, only if such drugs and biologicals are not furnished for the purpose of causing, or assisting in causing, the death, suicide, euthanasia, or mercy killing of a person.
“(9) Over-the-counter medications.
“(10) Laboratory and radiological services.
“(11) Prepregnancy family planning services and supplies.
“(12) Inpatient mental health services, including services furnished in a State-operated mental hospital, and residential or other 24-hour therapeutically planned structured services, except that for individuals not less than age 22 and not more than
age 64, such services shall be limited to acute services only.

"(13) Outpatient and intensive community-based mental health services, including psychiatric rehabilitation, day treatment, intensive in-home services for children, and partial hospitalization.

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

"(15) Disposable medical supplies.

"(16) 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, training for family members, and minor modifications to the home).

"(17) Community supported living arrangements, assisted living arrangements, and transitional living arrangements in the community.

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

“(19) Abortion only if necessary to save the life of the mother or if the pregnancy is the result of an act of rape or incest.

“(20) Dental services.

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

“(22) Outpatient substance abuse treatment services.

“(23) Case management services.

“(24) Care coordination services.

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

“(26) Hospice care.

“(27) 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 only if the service is—

“(A) prescribed by or furnished by a physician or other licensed or registered practitioner
within the scope of practice as defined by State law,

"(B) performed under the general supervision or at the direction of a physician, or

"(C) 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.

"(28) Premiums, or capitation payments (as defined in section 1504(e)(2)) for private health care insurance coverage, including private long-term care insurance coverage.

"(29) Medical transportation.

"(30) Medicare cost-sharing (as defined in subsection (c)).

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

"(32) Federally-qualified health center services (as defined in subsection (f)(2)(A)), capitation payments (as defined in section 1504(e)(2)) provided by a State to a capitated health care organization which is (or is controlled by, as determined under section
1504(a)(4)) one or more Federally-qualified health
centers (as defined in subsection (f)(2)(B)), and
supplemental payments to a Federally-qualified
health center (as so defined) that participates in a
capitated health care organization which is (or is
controlled by, as determined under section
1504(a)(4)) one or more Federally-qualified health
centers (as so defined).

"(33) Rural health clinic services (as defined in
subsection (f)(1)), capitation payments (as defined
in section 1504(e)(2)) provided by a State to a
capitated health care organization which is (or is
controlled by, as determined under section
1504(a)(4)) one or more rural health clinics (as de-
defined in subsection (f)(1)), and supplemental pay-
ments to a rural health clinic (as so defined) that
participates in a capitated health care organization
which is (or is controlled by, as determined under
section 1504(a)(4)) one or more rural health clinics
(as so defined).

"(34) Physician assistant services (to the extent
such services are authorized under State law or reg-
ulation).
“(35) Any other health care services or items specified by the Secretary and not excluded under this section.

“(b) ELIGIBLE LOW-INCOME INDIVIDUAL.—

“(1) STATE PLAN ELIGIBILITY STANDARDS.—

“(A) IN GENERAL.—The term ‘eligible low-income individual’ means an individual—

“(i) who has been determined eligible by the State for medical assistance under the State plan and is not an inmate of a public institution (except as a patient in a State psychiatric hospital), and

“(ii) whose family income (as determined under the plan) does not exceed a percentage (specified in the State plan and not to exceed 275 percent) of the poverty line for a family of the size involved.

“(B) CONTINUATION OF KATIE BECKETT ELIGIBILITY.—At the option of a State, subparagraph (A)(ii) shall not apply in the case of an individual who—

“(i) is 18 years of age or younger and qualifies as a disabled individual under section 1614(a); and
“(ii) with respect to whom there has been a determination by the State that—

“(I) the individual requires a level of care provided in a hospital, nursing facility, or intermediate care facility for the mentally retarded; and

“(II) it is appropriate to provide such care for the individual outside such an institution.

“(2) AMOUNT OF INCOME.—In determining the amount of income under paragraph (1)(B), a State may exclude costs incurred for medical care or other types of remedial care recognized by the State.

“(3) COMPUTATION OF INCOME FOR CERTAIN CHILDREN.—In determining the amount of family income under paragraph (1)(B) in the case of a child described in section 1501(a)(1)(F), the State shall only count the income of the child and not that of the family in which the child is placed.

“(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 sections 1813 and 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.

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

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

“(2) ELDERLY INDIVIDUAL.—The term ‘elderly individual’ means an individual who has attained retirement age, as defined under section 216(l)(1).

“(3) POVERTY LINE DEFINED.—The term ‘poverty line’ has the meaning given such term in section 673(2) of the Community Services Block Grant Act (42 U.S.C. 9902(2)), including any revision required by such section.
“(4) PREGNANT WOMAN.—The term ‘pregnant woman’ includes a woman during the 60-day period beginning on the last day of the pregnancy.

“(e) EPSDT SERVICES.—In this title, the term ‘EPSDT services’ means ‘early and periodic screening, diagnostic, and treatment services’ as defined in section 1905(r) (as in effect on June 1, 1996).

“(f) CENTER AND CLINIC SERVICES.—In this title:

“(1) RURAL HEALTH CLINIC RELATED DEFINITIONS.—The terms ‘rural health clinic services’ and ‘rural health clinic’ have the meanings given such terms in section 1861(aa), except that (A) clause (ii) of section 1861(aa)(2) shall not apply to such terms, and (B) the physician arrangement required under section 1861(aa)(2)(B) shall only apply with respect to rural health clinic services and, with respect to other ambulatory care services, the physician arrangement required shall be only such as may be required under the State plan for those services.

“(2) FEDERALLY-QUALIFIED HEALTH CENTER RELATED DEFINITIONS.—

“(A) SERVICES.—

“(i) IN GENERAL.—The term ‘Federally-qualified health center services’ means
services of the type described in subparagraphs (A) through (C) of section 1861(aa)(1), and any other ambulatory care services which are otherwise included in the State plan, when furnished to an individual as a patient of a Federally-qualified health center and, for this purpose, any reference to a rural health clinic or a physician described in section 1861(aa)(2)(B) is deemed a reference to a Federally-qualified health center or a physician at the center, respectively.

"(ii) CERTAIN SUPPLEMENTAL PAYMENTS INCLUDED.—

"(B) CENTER.—The term ‘Federally-qualified health center’ means an entity which—

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

"(ii)(I) is receiving funding from such a grant under a contract with the recipient of such a grant, and

"(II) meets the requirements to receive a grant under section 329, 330, 340, or 340A of such Act,
“(iii) based on the recommendation of the Health Resources and Services Administration within the Public Health Service, is determined by the Secretary to meet the requirements for receiving such a grant, or
“(iv) was treated by the Secretary, for purposes of part B of title XVIII, as a comprehensive Federally funded health center as of January 1, 1990;
and includes an outpatient health program or facility operated by a tribe or tribal organization under the Indian Self-Determination Act (Public Law 93-638) or by an urban Indian organization receiving funds under title V of the Indian Health Care Improvement Act for the provision of primary health services. In applying clause (ii), the Secretary may waive any requirement referred to in such clause for up to 2 years for good cause shown.
“(g) MEDICALLY-RELATED SERVICES.—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 1521, but
does not include items and services included on the list under subsection (a).

"SEC. 1572. 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 for 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 1511(c), 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 section 1571(a) and medically-related services (as defined in section 1571(g)).

"SEC. 1573. DESCRIPTION OF TREATMENT OF INDIAN HEALTH SERVICE FACILITIES AND RELATED PROGRAMS.

"In the case of a State in which one or more facilities of the Indian Health Service is located or in which a facility or program described in section 1512(f)(3)(iii) is located, the State plan shall include a description of—
“(1) what provision (if any) has been made for payment for items and services furnished by such facilities or through such programs, 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. 1574. 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 B.

“(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).