109th Congress)

1st Session) HOUSE OF REPRESENTATIVES (Report (109-??)

"ENTITLEMENT RECONCILIATION RECOMMENDATIONS FOR FISCAL YEAR 2006"

October 28, 2005—Ordered to be printed

Mr. THOMAS, from the Committee on Ways and Means, submitted the following

REPORT

Together with

[To accompany]

[Including cost estimate of the Congressional Budget Office]

Contents

I. Introduction
- A. Purpose and Summary
- B. Background
- C. Legislative History

II. Analysis of Legislation, Justification, and Comparison with Present Law
- A. Subtitle A: Temporary Assistance for Needy Families
- B. Subtitle B: Child Care
- C. Subtitle C: Child Support
- D. Subtitle D: Child Welfare
- E. Subtitle E: Supplemental Security Income
- F. Subtitle F: State and Local Flexibility
- G. Subtitle G: Repeal of Continued Dumping and Subsidy Offset Act

III. Vote of the Committee

IV. Budget Effects of the Bill
- A. Committee Estimate of Budgetary Effects
- B. Budget Authority and Tax Expenditures
- C. Cost Estimate Prepared by the Congressional Budget Office

V. Other Matters to be Discussed Under the Rules of the House
- A. Committee Oversight Findings and Recommendations
- B. Statement of General Performance Goals and Objectives
- C. Constitutional Authority Statement

VI. Views

Purpose and Summary

The "Entitlement Reconciliation Recommendations for Fiscal Year 2006" approved by the Committee on Ways and Means on October 26, 2005 would reform a number of programs within the Committee's jurisdiction, and result in a net savings of $8 billion in Fiscal Year (FY) 2006-2010. This provides the Committee's entitlement reconciliation recommendations, pursuant to H. Con. Res. 95, the Concurrent Resolution on the Budget for FY 2006, as reported to the Committee on the Budget.

The Committee's recommendations include provisions to reauthorize and make improvements to the Temporary Assistance for Needy Families (TANF) block grant program created under P.L. 104-193, the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996" (PRWORA, the 1996 welfare reform law), among other purposes. Since October 1, 2002, the authorization of TANF and related programs has been extended on a temporary basis 11 times, with the most recent extension through December 31, 2005. TANF is the primary Federal program of cash assistance for needy families.

The primary changes reflected include: (1) maintaining current record Federal funding for TANF; (2) increasing Federal funding for Child Care and Development Block Grant (CCDBG) programs; (3) improving individual and State work requirements while adding flexibility for States to satisfy these requirements; (4) encouraging healthy marriage and two-parent married families by directing $300 million per year in Federal and State funds to encourage strong families and healthy marriages, among other provisions; (5) repealing the "Byrd Amendment" enacted in the Continued Dumping and Subsidy Offset Act (CDSOA) of 2000 (P.L. 106-387); (6) gradually reducing child support administrative matching rates in conformity with other programs; (7) ending Federal matching of Federal child support incentive payments; (8) treating more Supplemental Security Income (SSI) lump sums under current law installment payment rules; and (9) clarifying eligibility for foster care and adoption payments and foster care administrative costs, consistent with current law.

Subcommittee Action

On March 15, 2005, the Subcommittee on Human Resources ordered favorably reported, with amendment, to the full Committee H.R. 240, the "Personal Responsibility, Work, and Family Promotion Act of 2005," by a 7 to 4 vote with a quorum present. H.R. 240 as approved by the Subcommittee includes many of the welfare reform reauthorization policies included in Committee's entitlement reconciliation recommendations as approved on October 26, 2005.

The Subcommittee on Human Resources held a hearing on H.R. 240 on February 10, 2005. Testimony was presented by the Administration, program administrators,

researchers, and advocates about programs and policies under the Subcommittee's jurisdiction including TANF, child care, child support, foster care and adoption, and SSI.

On February 12, 2004, the Committee requested the Congressional Budget Office (CBO) to provide an economic analysis of the Continued Dumping and Subsidy Offset Act of 2000 CDSOA to aid the Committee in its deliberations in the issue, including a discussion of any significant ways in which it benefits, harms, or distorts economic activity in the United States. On March 2, 2004, CBO provided that analysis to the Committee, finding that "the distributions mandated by CDSOA are detrimental to the overall economic welfare of the United States . . ."

In January 2005, Trade Subcommittee Chairman Clay Shaw and Oversight Subcommittee Chairman Jim Ramstad reconfirmed an earlier request to the Government Accountability Office (GAO) to carry out a comprehensive review of the CDSOA and its impact on recipient industries. The GAO provided its report on September 26, 2005, finding that CDSOA is not a trade remedy law, which generally provides relief to all producers in an industry; limits CBP's ability to process payments and perform desired quality controls, thereby imposing implementation risks; and most CDSOA payments went to a select few companies. The GAO further criticized CDSOA, recommending that "[i]n considering whether to keep, modify, or repeal CDSOA, Congress should consider whether the law is achieving its purposes of strengthening U.S. trade remedy laws, restoring conditions of fair trade, and assisting U.S. producers."

On July 25, 2005, the Subcommittee on Trade requested written comments for the record from all parties interested in technical corrections to U.S. trade laws and miscellaneous duty suspension proposals, including on H.R. 1121 to repeal CDSOA. Over 150 comments were received on H.R. 1121 by the deadline of September 2, 2005.

Legislative History

The Committee on Ways and Means marked up Entitlement Reconciliation Recommendations for Fiscal Year 2006 on Wednesday, October 26, 2005, and ordered the Recommendations favorably reported, as amended, by a recorded vote of 22-17, with a quorum present.

Analysis of Legislation, Justification, and Comparison with Present Law

(Sections 8001, 8002, and 8003 provide the
Short Title, Table of Contents, and References)

Section 8004. Findings

Present Law

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, made a series of findings related to marriage, responsible parenthood, trends in welfare receipt and the relationship between welfare receipt and nonmarital parenthood, and trends in and negative consequences of nonmarital and teen births.

Explanation of Provision

The Committee recommendations make a series of findings related to: (1) the success of the 1996 law in moving families from welfare to work and reducing child poverty; (2) progress made by the nation in reducing teen pregnancy and births, slowing increases in nonmarital births, and improving child support collections and paternity establishment; (3) the flexibility provided by the 1996 law for States to develop innovative programs; (4) further progress to be made in promoting work, strengthening families, and enhancing State flexibility to build on the success of welfare reform; and (5) establishing the sense of Congress that increasing success in moving families from welfare to work and promoting healthy marriage and other means of improving child well-being are important government interests and the policies in Federal TANF law (as amended by this title) are intended to serve those ends.

Reason for Change

The findings highlight noteworthy achievements of the landmark 1996 welfare reform law to be strengthened through various provisions of the Committee recommendations. The findings focus on the recommendations' provisions related to promoting work, reducing poverty, discouraging out-of-wedlock childbearing with a particular focus on teen pregnancy often associated with long welfare dependence, and promoting State flexibility in operating programs designed to promote healthy marriage among other means of improving child well-being.

SUBTITLE A. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Section 8101. Purposes

Present Law

The purpose of TANF is to increase State flexibility in operating a program designed to: (1) assist needy families so that children may live in their homes or those of relatives; (2) end dependence of needy parents on government benefits; (3) reduce out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of two-parent families.

Explanation of Provision

The purpose of TANF is to *improve child well-being by increasing* State flexibility in operating a program designed to: (1) provide assistance *and services* to needy families so that children may live in their homes or those of relatives, (2) end dependence of needy *families* on government benefits *and reduce poverty*; (3) reduce out-of-wedlock pregnancies; and (4) encourage the formation and maintenance of *healthy, two-parent married families and encourage responsible fatherhood*.

Reason for Change

The Committee recommendations provide an overarching TANF program purpose of improving child well-being, supported by current law purposes of providing assistance to children, ending dependence on welfare benefits, reducing births outside marriage, and encouraging the formation and maintenance of healthy married families. The Committee recommendations also highlight that a key purpose of the TANF program is ending dependence on government benefits and reducing poverty through job preparation, work, and marriage. The Committee notes that the concepts of child well-being and reducing poverty through increased work and improved family stability are closely intertwined. In these respects the 1996 welfare reform law has achieved remarkable results, contributing to the lifting of over 1.4 million children from poverty since the law's enactment. Directing TANF programs and other efforts to be oriented toward further improving child well-being is designed in part to continue and amplify this record of success in removing children from poverty, among other purposes.

The recommendations modify the fourth program purpose to clarify the goal of encouraging the formation and maintenance of healthy, two-parent married families. Current research clearly reflects that children do best across a range of measures when raised by two married parents, especially by their own biological parents: Children raised by single parents are five times more likely to live in poverty, five times more likely to depend on welfare, two to three times more likely to show behavioral problems, and two times as likely to commit crimes or go to jail. Children raised by single parents also are more likely to suffer from abuse and neglect, commit suicide, take drugs, and drop out of school. The purposes of TANF should reflect such research, especially in keeping with the overall program interest in promoting child well-being.

Finally, the recommendations reinforce that a key TANF program purpose includes encouraging responsible fatherhood, which is essential to the healthy upbringing of children. (Section 8119 of the recommendations also provides for a new "responsible fatherhood" program authorizing grants of up to $20 million per year for this purpose.)

Section 8102. Family Assistance Grants

Present Law

Provides capped grants (entitlements to States) through December 31, 2005. Nationally, annual family assistance grants total $16.567 billion for the States, District of Columbia, and the territories. Each jurisdiction's share of the national total grant equals its share of the national total FY 2002 grant. Also provides matching grants to the territories.

Explanation of Provision

Extends basic block grant at current funding levels through FY 2010. Extends matching grants for the territories through FY 2010.

Reason for Change

The Committee recommendations reauthorize the TANF block grant at its current level, providing States, D.C., and territories with a continuation of the record Federal funds made available in each fiscal year since 1996 despite unprecedented caseload declines during that period. Since 1994/95 (when national caseloads and Federal funds peaked, and which funding levels serve as the basis for the TANF block grant amount), welfare caseloads have fallen by 60 percent. A number of States individually and collectively continue to have significant unspent TANF balances, totaling $3.8 billion as of September 2004, according to the U.S. Department of Health and Human Services (HHS). States may use such unspent balances for additional needs in the years ahead, and other provisions in the Committee recommendations (see Section 8107, on use of funds) provide States significant new flexibility in the use of such unspent or "carryover" funds, including providing additional child care and other work supports as appropriate.

Section 8103. Promotion of Family Formation and Healthy Marriage

Present Law

No provision for special grants. Up to five States may receive an out-of-wedlock bonus (totaling up to $100 million per year) for reducing out-of-wedlock birth ratios without increasing abortion rates.

Federal TANF funds may be used on activities that seek to reduce out-of-wedlock births and promote the formation and maintenance of two-parent families (TANF goals 3 and 4) without regard to families' financial need. However, all State expenditures counted toward required maintenance of effort spending (including those directed at TANF goals 3 and 4) must be for TANF-eligible families, subject to a test of financial need.

Explanation of Provision

Eliminates the out-of-wedlock birth bonus. Appropriates $100 million annually for FYs 2006 through 2010 for 50 percent competitive matching grants to States, territories and tribal organizations for programs to promote healthy, married two-parent families. Grants may be used for advertising campaigns; education in high schools; marriage education, marriage skills and relationship skills programs, conflict resolution, and job and career advancement for non-married pregnant women and expectant fathers; pre-marital education and marriage skills training for engaged couples and individuals and couples interested in marriage; marriage enhancement and marriage skills training programs for married couples; divorce reduction programs; marriage mentoring programs; and programs to reduce marriage disincentives in means-tested programs, if offered in conjunction with any other listed activity.

Requires that participation in marriage promotion activities (other than media campaigns and high school education) be voluntary. Applications for marriage promotion grants must describe what the grantee will do to ensure that participation is voluntary and how potential participants will be informed that participation is voluntary. Marriage promotion grantees must also agree to consult with experts in domestic violence or relevant community domestic violence coalitions, and describe in their application for the grant how they propose to address, as appropriate, domestic violence issues.

Provides that State expenditures to reduce out-of-wedlock births and promote marriage and responsible fatherhood (TANF goals 3 and 4) may be counted toward required maintenance of effort State spending without regard to families' financial need (conforming with the rule for use of Federal TANF funds for these activities).

Adds a requirement that each State outline in its TANF State plan how it will encourage equitable treatment of married, two-parent families. The recommendations further provide (Section 8111) that Federal TANF funds used for marriage promotion shall be treated as State matching funds for marriage promotion grants; however, Federal TANF funds used for marriage promotion may not be counted toward the State's maintenance of effort spending requirement. In addition, the recommendations specify that some research and demonstration funds (Section 8115, $100 million yearly for FY 2006 through FY 2010) shall be spent primarily on activities allowed under marriage promotion grants.

Reason for Change

In keeping with the TANF program purpose of encouraging the formation and maintenance of healthy, two-parent married families, the Committee recommendations refocus current out-of-wedlock birth rate reduction "bonus" funds on programs and activities designed to encourage the formation of healthy marriages and to strengthen and maintain existing marriages, for several reasons. The awarding of current bonus funds, while in name designed to encourage the operation of State programs and efforts to reduce out-of-wedlock childbearing, has not been associated with specific State efforts in this area. Further, under current law there is no requirement that States awarded such funds use the money for efforts to reduce out-of-wedlock births or otherwise strengthen families. Thus there has been interest in converting this current stream of funding to support more specific efforts to strengthen families. Given the limited number of States using Federal or State TANF program funds for activities and programs designed to promote healthy marriage and strong families in keeping with the overall TANF program purposes, the Committee recommendations seek to encourage more innovation in this area by making available additional funds to States interested in operating such programs.

The Committee recommendations include the clarification that any State funds used to strengthen marriage and two-parent families may be counted toward the TANF program's State maintenance of effort requirements, mirroring the broad flexibility available in spending Federal TANF funds since 1996.

Section 8104. Supplemental Grant for Population Increases in Certain States

Present Law

Supplemental grants for 17 States with low historic Federal grants per poor person and/or high population growth for FYs 1998-2001 (extended at FY 2001 funding level for FY 2002 by P.L. 107-147 and thereafter by temporary extension bills). Grants grew each year, from $79 million in FY 1998 to $319 million in FY 2001.

Explanation of Provision

Extends supplemental grants through FY 2009, at the current level of $319 million per year.

Reason for Change

The Committee recommendations provide for the continuation of the current TANF supplemental grants program, with funds remaining at the current level and for each currently-eligible State for each of the next 4 fiscal years (FYs 2006-2009). As under the 1996 welfare reform law, which authorized the TANF block grant through FY 2002 yet provided for supplemental grants through only FY 2001, the authority for supplemental grants under the Committee recommendations would expire 1 year prior to that of the TANF block grant.

Section 8105. Elimination of High Performance Bonus

Present Law

High performance bonus paid on the basis of achieving TANF goals. Formula developed by HHS in consultation with the States. For FY 2002 and each year thereafter, performance formula includes employment and family formation outcomes, child care affordability, and coverage in certain government programs.

Explanation of Provision

Repeals the High Performance Bonus.

Reason for Change

The Committee recommendations end the payment of bonuses for "high performance" for several reasons. First, mirroring the welfare reform reauthorization legislation approved by the House in the 107th and 108th Congresses, half of the current bonus funds are redirected to activities and services to promote marriage and stronger families, in keeping with the overall goals of the TANF program and these reauthorization provisions. The remaining funds are eliminated, assisting in achieving the Committee's entitlement reconciliation goal of $1 billion in mandatory savings through FY 2010. The Committee notes that the overall recommendations provide States full funding of the TANF block grant, and increasing funding for child care needs, which is especially generous in light of the 60 percent decline in TANF recipients since passage of the 1996 welfare reform law. In addition, experience since the 1996 welfare reform law has shown that many States have received bonus funds without operating policies and programs designed to achieve those outcomes; in short, the merits of holding out financial bonuses to encourage specific types of State behavior is debatable at best, based on experience since the 1996 law.

Section 8106. Contingency Fund

Present Law

Capped matching grants ($2 billion) provided in case of recession for FY1997-FY 2001 (extended through FY 2002 by P.L. 107-147 and thereafter by temporary extension recommendations). To qualify for contingency dollars, States must spend under the TANF program a sum of their own dollars equal to their pre-TANF spending.

Explanation of Provision

The Committee recommendations extend the current TANF contingency fund, providing up to $2 billion for FYs 2006 through 2010. Beginning in FY 2008: permits

States to count *child care spending and all spending in separate State programs* toward State spending required to access contingency fund; eliminates the pro-rata reduction in the Federal match rate for States that qualify for funds for only part of the year; and adjusts food stamp "needy State" trigger for policy changes made after passage of 1996 welfare law.

Reason for Change

In order to assist States demonstrating increased needs during difficult economic times, the Committee recommendations extend and improve the current Federal TANF contingency fund program created under the 1996 welfare reform law. This fund would be extended through FY 2010.

Before permitting access to money from this fund, current law expects States to satisfy a 100 percent maintenance of effort requirement comparing recent with pre-TANF welfare-related spending. However, neither former nor recent child care spending is included in performing this calculation. Thus a provision is included in the Committee recommendations to add State spending on child care (which has risen since the 1996 welfare reform law), increasing the likelihood that States would satisfy the 100 percent maintenance of effort requirement and thus access Federal contingency funds.

The Committee recommendations also include several technical and conforming amendments simplifying the annual reconciliation process for ensuring that States receive the correct amount of contingency funds, and ensuring that Federal policy changes affecting food stamp eligibility made since the 1996 welfare reform law do not inadvertently affect States' ability to qualify for Federal contingency funds.

Section 8107. Use of Funds

Present Law

States may use funds in any manner reasonably calculated to accomplish the TANF purposes. Additionally, States may use TANF funds in any manner that they were authorized to use funds from its predecessor programs ("grandfathered" activities).

For purposes of TANF, States may treat a new resident of the State under the rules of the applicant's or recipient's former State. The State plan must indicate whether the State intends to treat families moving into the State differently from others. The U.S. Supreme Court struck differential treatment of new State residents.

States may transfer up to 30 percent of TANF funds to the CCDBG and the Title XX Social Services Block Grant (SSBG). Specifies that a maximum of ten percent of total transfers may go to SSBG in FY 2005, 4.25 percent thereafter. Also allows States to use TANF funds, within the overall 30 percent transfer limit, as *matching funds* for the

Job Access transportation program for TANF recipients, ex-recipients, and persons at risk of becoming income-eligible for TANF.

Grants may be reserved (remain unspent) without fiscal year limit for the purpose of providing "assistance" (chiefly ongoing cash aid). For other benefits and services "nonassistance" amounts must be obligated in the year of award and spent in the following year.

Explanation of Provision

The Committee recommendations modify the rule for use of TANF funds for "grandfathered" activities, permitting States to use TANF funds *for any purposes or activities* permitted under pre-TANF rules. They also strike provisions about treatment of families migrating into the State, increase the overall ceiling on transfers to 50 percent, and set the limit on SSBG transfers at ten percent (the original limit in the1996 welfare reform law) for FY 2006 and each fiscal year thereafter.

The Committee recommendations allow States to use carry-over funds for any benefit or service without fiscal year limitation and permit a State or tribe to designate some unspent TANF funds as a contingency reserve.

Reason for Change

Several provisions to increase States' flexibility in designing and operating TANF programs are included in the Committee recommendations. The increase in TANF funds that may be transferred to the child care and SSBGs would allow States to use TANF funds to support more working families outside of the welfare system, as these programs are not limited to TANF-eligible families. Transfer authority has become increasingly important as States shift more resources to support working families using TANF funds made available due to the dramatic caseload declines in recent years.

Currently, regulations implementing the TANF program limit States to spending carryover funds only on cash assistance. These recommendations clarify that carryover funds may be spent on any of the States' TANF programs, including child care and other services as well as cash assistance. Thus States in future years will have additional flexibility in spending the $3.75 billion in unspent TANF funds, as of September 2004, on activities such as child care to support work.

The provision to allow States to designate unspent TANF funds as contingency reserves is intended to improve the reliability of the TANF block grant in future years. In the past, unspent TANF balances have led to confusion over how much TANF funds were unneeded versus specifically set-aside for future needs. The Committee expects the Secretary of HHS to provide additional guidance to States for purposes of their reporting contingency reserves in a uniform manner.

Section 8108. Repeal of Federal Loan for State Welfare Programs

Present Law

Provides a $1.7 billion revolving and interest-bearing Federal loan fund for State welfare programs.

Explanation of Provision

The Committee recommendations repeal the loan fund, effective October 1, 2006, and make conforming amendments to reflect the repeal in related program provisions.

Reason for Change

The loan authority is eliminated given a lack of interest in the program from the States.

Section 8109. Universal Engagement and Family Self-Sufficiency Plan Requirements

Present Law

State plans must require that a parent or caretaker engage in work (as defined by the State) after, at most, 24 months of receiving assistance. However, this requirement is not enforced by a specific penalty.

States must make an initial assessment of the skills, prior work experience, and employability of each recipient 18 or older or those who have not completed high school within 30 days.

States may, but are not required to, use the assessment, in consultation with the recipient, to develop an Individual Responsibility Plan (IRP). The plan sets forth an employment goal for the recipient and a plan for moving the individual immediately into private sector employment; the obligations of the recipient, which may include requirements to attend school, maintain certain grades and attendance, keep school age children in school, immunize children, and attend parenting and money management classes; increase responsibility and amount of work over time; describe the services the State will provide the individual so that the individual will be able to keep and retain employment in the private sector; and may require the individual to undergo appropriate substance abuse treatment.

TANF work participation standards are enforced by a penalty on States: loss of five percent of the State's basic grant for first year of violation (penalty may be reduced for the degree of violation). The penalty increases by a maximum two percentage points each year, and is capped at 21 percent of the block grant. Penalty may be reduced for the

degree of violation. A State must replace the amount of Federal penalty funds lost with its own funds.

Explanation of Provision

Repeals the 24-month work trigger; requires States, in a manner they deem appropriate, to assess the skills, prior work experience, and employability of each work-eligible person. Work eligible persons are defined in section 8110 of the recommendations as heads of households whose needs are included in the TANF grant (or would be included but for a sanction). The State may use job search or work activities to assess the employability of individuals.

Requires States to develop a family self-sufficiency plan for each family with a work-eligible person; plans must be established within 60 days of opening a case (within 12 months for families enrolled on October 1, 2005). The plan is to specify appropriate activities, including "direct work" activities (see section 8110) and provide for the ongoing participation in the activities. The State has sole discretion, consistent with TANF work participation standards, to define and design activities and develop methods for monitoring activities. The State must require recipients to participate in activities in accordance with the plan, monitor participation of each individual in activities specified in the plan, and review and revise the plan and activities as the State deems appropriate.

Penalizes a State for failure to meet TANF work participation standards or establish family self-sufficiency plans. States that fail to meet standard and/or establish self-sufficiency plans are penalized a maximum of five percent of the State's basic block grant for the first year of violation (increasing each subsequent year). Penalty may be reduced for the degree of violation.

Reason for Change

Universal engagement is a centerpiece of the welfare reform provisions included in the Committee's recommendations. The most recent data from HHS indicates that nine States, Guam, Puerto Rico and the Virgin Islands do not require recipients to engage in any activities during their first 24 to 30 months of receiving benefits. The Committee believes this is unfair to beneficiaries given time limits on benefits, which in such cases provide that up to half of a parent's available Federal TANF benefits could have been received before they take a first step to prepare for self-sufficiency. Early and constant activity is the best path out of poverty, which is provided for under the self-sufficiency plan and related provisions of the recommendations.

The Committee recognizes that early detection of impediments such as substance abuse and addiction can help improve the prospects of employment and self-sufficiency, and better preserve families and protect children from abuse and neglect. The Committee also believes that States should retain the flexibility to use work and work-related screening and assessment activities to determine the employability of individuals. Therefore, the Committee recommendations clarify that the use of job search and other

job readiness or work activities to assess the employability of individuals and possible future work activities satisfy family self-sufficiency plan requirements.

Section 8110. Work Participation Requirements

Present Law

States must have a specified percentage of their adult recipients engaged in creditable work activities. Since FY 2002 the participation standard has been 50 percent for all families (and since FY 1999 it has been 90 percent for the two-parent component of the caseload). Standards are reduced by a *caseload reduction credit*: for each percent decline in the caseload from the FY 1995 level (not attributable to policy changes), the work participation standard is reduced by one percentage point. The monthly participation rate, expressed as a percentage, equals (a) the number of all recipient families in which an individual is engaged in work activities for the month, divided by (b) the number of recipient families with an adult recipient or minor head of household. The annual participation rate, which is compared against the participation standard, is the average of the monthly participation rates.

States may exempt the parent of a child under age 1 from work and exclude them from the calculation of work participation rates. States may exclude families with certain sanctioned individuals from the calculation of the participation rates. Excluded are families sanctioned for up to 3 months in a 12-month period.

Federal law lists 12 activities that count toward meeting the participation standards. Nine activities have priority status: unsubsidized jobs, subsidized private jobs, subsidized public jobs, work experience, on-the-job training; job search (6 weeks usual maximum), community service, vocational educational training (12 month limit), and providing child care for certain TANF recipients. Three other creditable activities: job skills training directly related to employment; and (for high-school dropouts only) education directly related to work and completion of secondary school. Participation in education (including vocational educational training) may account for no more than 30 percent of persons credited with work.

Generally, to count toward the all-family rate, participation of 30 hours (20 hours in priority work activities) is required. For two-parent families the standard is 35 hours (30 in priority work activity), but increases to 55 hours (50 in priority activities) if the family receives federally-subsidized child care.

Teen parents are deemed to participants by maintaining satisfactory attendance in secondary school (or the equivalent in the month) or by participating in education directly related to employment for an average of 20 hours weekly.

If an adult recipient refuses to engage in required work, the State shall reduce aid to the family pro rata (or more, at State option) with respect to the period of work refusal,

or shall discontinue aid, subject to good cause and other exceptions that the State may establish. Exception: a State may not penalize a single parent caring for a child under age 6 for refusal to work if the parent has a demonstrated inability to obtain needed child care that is appropriate, suitable, and affordable.

Explanation of Provision

States must have a specified percentage of families containing adult recipients engaged in direct work or alternative self-sufficiency activities chosen by the State. In FY 2006 the standard is 50 percent, and it rises by five percentage points yearly to reach 70 percent in FY 2010. The Committee recommendations eliminate the separate standard for two-parent families.

The Committee recommendations measure caseload reduction from a moving base year (rather than from FY 1995) and shorten the measuring interval. Also changes the eligibility criteria base year from FY 1995 to the new moving base. For FY 2006, the credit is based on the percent decline in the caseload from FY1996 (not due to changes in eligibility criteria from FY 1996); for FY 2007, the base year is FY 1998; for FY 2008, FY 2001. For FY 2009 and every year thereafter, the measuring interval is 3 fiscal years.

The Committee recommendations establish a "superachiever" caseload reduction credit for a State with a reduction of at least 60 percent (for any reason) from FY 1995 to FY 2001.

The monthly participation rate, expressed as a percentage, is (a) the total number of countable hours, divided by (b) 160 times the number of counted families for the month. Counted families are those that include a "work eligible" recipient: Work eligible persons are defined as heads of households whose needs are included in the TANF grant or would be included but for a sanction. The annual participation rate is the average of the monthly participation rates. States may, on a case-by-case basis, exclude from the calculation of work participation rates families in which the youngest child is under age 1. States may exclude families subject to a sanction under TANF or for failure to meet child support requirements for up to 3 months in a 12-month period. States may exclude from the calculation of work participation rates families in their first month on the rolls (based on the most recent application for benefits).

The recommendations list six "direct" work activities: Unsubsidized jobs, subsidized private jobs, and subsidized public jobs, on-the-job training, supervised work experience, and supervised community service. States may define any other activity as countable so long as it leads to self-sufficiency and is consistent with the purposes of TANF. Generally, States must engage all families with adult recipients in a direct work activity or alternative self-sufficiency activity for 160 hours per month for full-credit, though partial (pro-rata) credit is provided for families that fall short of the full-credit standard. To be counted toward meeting the standards, participation must include at least 24 hours per week in direct work activities listed in the law (see above). The 160 hour per month standard implements a 40 hour per week requirement. In the average month,

160 hours per month is equivalent to 37 hours per week. This is because the average month contains 4.33 weeks, not 4 weeks, and 160 divided by 4.33 equals 37. The 160 hour per month standard is seen as allowing 13 hours per month for sick leave and holidays.

The current 30 percent cap on the share of TANF recipients who may be counted as working by virtue of participation in education (including vocational educational training) is eliminated. Thus, subject to the other provisions of this title and in contrast to current law, an unlimited number of parents on TANF may be counted as working towards the calculation of State work participation rate requirements through participation in education full or part time.

For 3 months within a consecutive 24 month period, persons may be deemed to meet the 24-hour weekly direct work requirement by engaging in short-term activities chosen by the State to promote self-sufficiency (examples listed in the recommendations are substance abuse counseling or treatment; rehabilitation treatment and services; work-related education or training directly enabling the family member for work; and job search or job readiness assistance). A fourth month is allowed for an individual to complete a training program.

Teen parents are deemed to be participating for 40 hours per week by virtue of satisfactory school attendance (or the equivalent in the month) or by participating in education directly related to employment for an average of 20 hours weekly.
If a person in a family receiving TANF assistance fails to engage in required activities and the family does not otherwise engage in activities in accordance with its self-sufficiency plan, the State shall impose a penalty as follows:(a) If the failure is partial or does not last longer than 1 month, the State shall reduce assistance to the family pro rata (or more, at State option) with respect to any period of failure during the month, or shall end all assistance to the family, subject to good cause exceptions that the State may establish; and (b) if the failure is total and persists for at least 2 consecutive months, the State shall end all cash payments to the family, including State-funded maintenance of effort payments, for at least 1 month and thereafter until the person resumes full participation in required activities, subject to good cause exceptions that the State may establish. If a State constitution or a State statute enacted before 1966 obligated local governments to provide assistance to needy parents and children, the State has 1 year (beginning with the date of enactment) to meet the requirement of these recommendations.

Reason for Change

As has been noted above, the Committee believes that too many recipients remain on welfare without engaging in activities to prepare them for work. The recommendations provide increases in the work requirements expected of States with important areas of increased flexibility in activities that may be counted towards satisfying those requirements. Overall, States are required, when fully phased in, to have an average of 70 percent of adult recipients in 40 hours of activities, including 24 hours

of direct work and 16 hours of other activities, for 48 weeks each year. As under current law, States would receive credit towards those rising work participation standards for the degree to which States continue to succeed in reducing welfare dependence in future years.

The Committee supports the efforts of parents on welfare to participate in education and training to improve their employability and wages. Numerous studies, including the National Evaluation of Welfare-to-Work Strategies, have found that work or work combined with short-term training is the most effective approach for helping parents achieve independence from welfare and support their families. The Committee recommendations eliminate the current 30 percent cap on the share of the welfare caseload that may be counted as participating in working through education. This will ensure that, if States choose to employ the flexibility provided under the Committee recommendations to promote strategies that combine part-time work and education as the best path off of welfare, they will be able to fully count all individuals so participating in education, not just a minority as under current law.

There are many ways that vocational education and training may be combined under H.R. 240 in ways that will greatly improve an individual's long-term prospects for self-sufficiency. Below are specific examples of allowable combinations of work and training.

Example #1: A participant is taking classes to become a certified nurse assistant. She goes to class 4 hours each morning from Monday through Thursday. Each afternoon, she works 4 hours in a practicum assignment, practicing the skills she is learning in class. On Friday, she has a part-time job for eight hours. The practicum hours and the part-time job would count towards the direct work requirement (total 24 hours). The 16 hours of class would count towards the overall participation requirement for a total of 40 hours of participation. Because the participant is meeting her direct work requirement, there would be no limit on how long she could continue this arrangement (other than the overall 5-year lifetime limit on receipt of Federal benefits). She could continue for whatever time it took to complete her certificate.

Example #2: A new participant is currently enrolled in a vocational education program that will take 12 to 18 months to complete. Her self-sufficiency plans calls for her to complete the current semester (about 4 months). Thereafter, she plans to work 3 days a week and continue her vocational training on the other 2 days. The educational activity can substitute for the direct work requirement for up to 4 months. Thereafter, the part-time work will count towards the direct work requirement and the vocational education will count towards the additional hours, for a total of 40. Subject to the overall 5-year limit on receipt of Federal benefits, she can continue in this arrangement until she completes her vocational education program.

Example #3: A recipient with low basic educational skills who is having difficulty obtaining employment participates in a comprehensive work experience and skills building program. The recipient participates in a full-time, 40 hours per week

program that includes actual work activities (perhaps in an industrial or even an office setting) familiarizing the client with a job setting and job-specific skills, and integrates that experience with basic educational skills training, all at the same site. The work activities and training might be blended to enhance the client's experience, but about 5 hours of each day would involve work activities.

Under the Committee recommendations, States are provided partial credit toward their work participation rate requirement for individuals who perform as few as 24 hours per week of direct work, and receive full credit for families who perform 40 or more hours per week of work and other activities designed to promote self-sufficiency. The recommendations eliminate the separate and higher State work participation rate requirement that currently applies to two-parent families, making them subject to the same rate and hours of work rules as single-parent families receiving assistance, enhancing the chances that these or other families might be able to participate in "extra" hours that could balance families whose maximum hours of work and other activities might fall short of the 40 hours per week standard.

The Secretary of HHS is expected to issue regulations that specify how the 24-hour direct work requirement may be applied in certain low-benefit States. The Committee is aware that certain States may face special challenges in meeting the 24-hour direct work requirement in cases in which unsubsidized or subsidized private sector employment is limited and the State may only enroll individuals in a certain number of hours of work experience or community service activities due to minimum wage constraints. The Committee notes that modifying regulations, which currently limit the value of government benefits to only cash welfare and food stamps, to include additional benefits families receive also would facilitate participation in additional work experience or community service.

Under the Committee recommendations, States have the flexibility to make accommodations in the work requirements for individuals with special circumstances, for example, caring for a disabled child. The maximum work requirement a State must meet, assuming the State receives no credit for past or future caseload declines, would be 70 percent in FY 2010. Even at this high work rate, the State can exempt up to 30 percent of its caseload from the work requirement. Further, many States have created separate State programs to avoid penalties for failure to meet the higher work requirements for 2-parent families. Under the Committee recommendations, these separate 2-parent work requirements are eliminated, allowing States to use these State funds for assistance to parents caring for disabled relatives, subject to separate State work requirements.

The recommendations update the current credit for net caseload reduction. As under current law, this credit reduces the State work participation rate requirement by the percentage decline, if any, in the State's welfare caseload relative to a prior year. Under the recommendations, States would continue to be given credit for caseload declines, but the baseline fiscal year for determining the percentage decline and thus the credit would be recalibrated as follows: in FY 2006, States would be credited for declines between FYs 1996 and 2005; in FY 2007, between FYs 1998 and 2006; in FY 2008, between FYs

2001 and 2007; in FY 2009, between FYs 2005 and 2008; and in FY 2010, between FYs 2006 and 2009. Thus if the State's welfare caseload declined by 30 percent between FYs 2006 and 2009, its real work participation rate requirement for the remaining caseload in FY 2010 would be 40 percent, given the updated credit for net caseload reduction.

In addition to the credit for net caseload reduction, 17 States that achieved caseload declines of more than 60 percent between FYs 1995 and 2001 will receive an additional superachiever credit. Given their large past caseload declines, these States will receive a percentage reduction in future work requirements based on the percentage decline above 60 percent (Alabama is eligible for a maximum 0.1 percent credit against future rates, Colorado 12 percent, Florida 14 percent, Georgia four percent, Idaho 20 percent, Illinois 14 percent, Louisiana nine percent, Maryland six percent, Michigan five percent, Mississippi ten percent, North Carolina five percent, Ohio three percent, Oklahoma nine percent, South Carolina two percent, West Virginia two percent, Wisconsin 16 percent, and Wyoming 20 percent). The credit takes into consideration the difficulty these States might have in further reducing caseloads, which would otherwise reduce the rising work rate requirements. The superachiever credit in any year may not reduce the target work participation rate to less than 50 percent in any future year. For a number of superachiever States, this will maintain the effective work rate requirement at the current 50 percent level for several or all of the next 5 fiscal years. All States, including those receiving superachiever credits, may receive additional credits under the recalibrated net caseload reduction credit provision described above.

To illustrate how the superachiever credit works, consider the State of Wisconsin. Wisconsin experienced a 76 percent caseload decline in the FY 1995-2001 period, qualifying for a superachiever credit of 16 percent (76 percent decline minus 60 percent threshold equals 16 percent credit). As State work rates rise under the recommendations from 50 percent in FY 2006 to 55 percent in FY 2007, 60 percent in FY 2008, and 65 percent in FY 2009, this credit would maintain Wisconsin's work rate requirement at the current 50 percent level. In FY 2010 when the rate rises to 70 percent, Wisconsin's effective work rate requirement would be 54 percent (70 percent work rate minus 16 percent credit equals 54 percent effective work rate).

In order to stress the importance of work, the recommendations specify certain conditions under which States must provide for a "full check sanction" if a parent refuses to participate in work and other activities as required by the State and as expressed in the self-sufficiency plan to which the parent has agreed, but adds that this condition does not apply for up to 1 year after enactment of these recommendations in a State with a Constitutional requirement to provide benefits, permitting all States to take steps to come into compliance.

Section 8111. Maintenance of Effort

Present Law

Establishes a maintenance of effort requirement that States spend at least 75 percent of what was spent from State funding in FY 1994 on programs replaced by TANF. Nationally, this sum is $10.4 billion (maintenance of effort rises to 80 percent if State fails a work participation standard).

Explanation of Provision

Continues existing maintenance of effort requirement through FY 2010. Provides that Federal TANF funds used for marriage promotion shall be treated as State matching funds for marriage promotion grants, but may not be counted as State funds toward maintenance of effort requirements.

Reason for Change

The Committee recommendations extend the current maintenance of effort requirements for an additional 5 years. The recommendations also include a conforming change related to State spending on activities to prevent out-of-wedlock childbearing and promote healthy marriages, designed to promote State flexibility in spending funds to promote these purposes.

This extends and expands a key feature of the flexibility afforded States under the 1996 welfare reform law. Under the maintenance of effort provisions, States have collectively been able to conserve about $3 billion annually that formerly was spent on the TANF predecessor programs. States may use such funds on other State activities, which may include child care, child protection, or any other vital State concern.

Section 8112. Performance Improvement

Present Law

Each State must outline, in a 27-month plan, how it intends to: conduct a program providing cash assistance to needy families with children and providing parents with work and support services; require caretaker recipients to engage in work (at State definition) after 24 months of aid or sooner, if then judged work-ready; ensure that caretakers engage in work in accordance with the law; take steps deemed necessary by the State to restrict use and disclosure of information about recipients; establish goals and take action to prevent/reduce the incidence of out-of-wedlock pregnancies; and conduct a program providing education and training on the problem of statutory rape. In addition, the plan must indicate whether the State intends to treat families moving into the State differently from others; note whether the State intends to aid noncitizens; set forth objective criteria for benefit delivery and for fair and equitable treatment; and provide that, unless the governor opts out by notice to HHS, the State will require a parent who has received TANF for 2 months and is not work-exempt to participate in community service employment. In the plan the State must certify that it will operate a child support enforcement program and a foster care and adoption assistance program and provide

equitable access to Indians ineligible for aid under a tribal plan. It must certify that it has established standards against program fraud and abuse. It must specify which State agency or agencies will administer and supervise TANF. In addition, the State may opt to certify that it has established and is enforcing procedures to screen and identify recipients with a history of domestic violence, to refer them to services, and to waive program rules for some of them.

States are authorized to administer and provide TANF services through contracts with charitable, religious, or private organizations and to pay recipients by means of certificates, vouchers, or other disbursement forms redeemable with these organizations. The recommendations stipulate that any religious organization with a contract to provide welfare services shall retain independence from government and require States to provide an alternative provider for a beneficiary who objects to the religious character of the designated organization. States are required to consult with local governments and private sector organizations in the development of, and have 45 days to comment on, the TANF State plan.

The Secretary of HHS is directed to rank States in order of success in moving recipients into long-term private jobs and reducing the proportion of out-of-wedlock births and in both cases to review programs of the three States with highest and lowest ratings.

Explanation of Provision

The Committee recommendations require the State plan to describe how the State will pursue ending dependence of needy families on government benefits and reducing poverty by promoting job preparation and work and how the State will encourage the formation and maintenance of healthy two-parent married families, encourage responsible fatherhood, and prevent and reduce the incidence of out-of-wedlock pregnancies. The plan must also describe strategies to improve program management and performance and engage religious organizations in the provision of TANF-funded services.

States are required to describe in their plans any strategies the State is undertaking to deal with (a) employment retention and advancement for recipients; (b) efforts to reduce teen pregnancy; (c) services for struggling and noncompliant families and for clients with special problems; and (d) program integration, including the extent to which employment and training services are provided through the One-Stop Career Center System created under the Workforce Investment Act of 1998.

The Committee recommendations strike the provision requiring goals to reduce out-of-wedlock pregnancies and replaces it with a requirement that States establish specific numerical performance goals, measures, measurement methodology, and plans to improve outcomes regarding TANF's goals of ending dependence and reducing poverty by promoting work and job preparation, and encouraging the formation of healthy, 2-

parent married families, encouraging responsible fatherhood, and reducing out-of-wedlock pregnancies.

The Committee recommendations strike the provision requiring community service after 2 months of benefits unless a State opts out. They add a requirement that the plan describe strategies to engage faith-based organizations in provisions of services funded by TANF. They also delete "long-term" qualifier from private job measure and adds employment retention and ability to increase wages to factors used for rankings.

Tribes must be consulted and be allowed to comment on the TANF State plan and that tribes consult with the States in developing their tribal family assistance plans. In addition, the Secretary is required, in consultation with the States, to develop uniform performance measures to judge the effectiveness and improvement of State programs in accomplishing TANF purposes.

Reason for Change

The Committee recommendations remove certain State plan requirements in current law that do not conform to proposed changes in the TANF program. The recommendations also add certain State plan requirements that reflect the recommendations' increased focus on engaging more recipients in work and other self-sufficiency activities, and the proposal's focus on promoting healthy marriages and preventing out-of-wedlock births. Finally, the new plan requirements reflect growing interest among program administrators in helping recipients move from employment to better jobs leading finally to long-term self-sufficiency by requiring States to report on what strategies they are employing to address this issue.

The recommendations also strike the State plan requirement of community service after 2 months of benefits. This change does not preclude States from requiring community service of individuals during their early months on TANF, as States would continue to have the flexibility to do so in operating their programs under the Committee recommendations. The underlying work requirements, as amended by this title, will continue to provide guidance to States on the flexibility and expectations for serving and assisting individuals during their first months on welfare, including in community service as appropriate.

The uniform performance improvement measures are intended to help States quickly identify program weaknesses so they may correct them in a timely manner and to facilitate States' sharing of best practices.

The Committee recommendations require eligible States to submit documents to the Secretary of HHS describing their strategies for engaging faith-based organizations in the provision of services funded under the provisions in Section 104 of the 1996 welfare reform law. The principles set out in Section 104 allow for the funding of faith-based organizations on the same basis as other nongovernmental organizations; permit them to maintain their religious character by choosing board members, symbols, and staff in

accord with their faith; and protect beneficiaries from discrimination while safeguarding their rights of conscience by ensuring that alternative providers that are unobjectionable to them on religious grounds are made available.

Section 8113. Data Collection and Reporting

Present Law

States are required to collect monthly, and report quarterly, disaggregated case record information (but may use sample case record information for this purpose) about recipient families. Required family information includes:

1. County of residence;
2. Whether a member received disability benefits;
3. Ages of members;
4. Size of family and the relation of each member to the family head;
5. Employment status and earnings of the employed adult;
6. Marital status of adults;
7. Race and educational level of each adult;
8. Race and educational level of each child;
9. Whether the family received subsidized housing, Medicaid, food stamps; or subsidized child care (and if the latter two, the amount);
10. Number of months that the family received each type of aid under the program;
11. Number of hours per week, if any, that adults participated in specified activities (education, subsidized private jobs, unsubsidized jobs, public sector jobs, work experience, or community service, job search, job skills training or on-the job training, vocational education);
12. Information needed to calculate participation rates;
13. Type and amount of assistance received under the program; including the amount of and reason for any reduction of assistance;
14. Unearned income;
15. Citizenship of family members;
16. Number of families and persons receiving aid under TANF (including the number of two-parent and one-parent families);
17. Total dollar value of assistance given;
18. Total number of families and persons aided by welfare-to-work grants (and the number whose participation ended during a month);
19. Number of noncustodial parents who participated in work activities; and
20. For each teenager, whether he/she is the parent of a child in the family.

States are required to collect information monthly, and report quarterly, on families receiving assistance. Regulations require States to annually submit a program report (by December 31 of each year) providing information on the State TANF program and all programs funded by TANF or State maintenance of effort funds. For each

maintenance of effort program, reports are to include the name, purpose, and eligibility criteria. The Secretary of HHS shall prescribe regulations to define data elements for required State reports and shall consult with the Secretary of the U.S. Department of Labor (DOL) in defining data elements regarding programs operated with welfare-to-work funds.

The Secretary of HHS is required to make annual reports to Congress that include State progress in meeting TANF objectives (increasing employment and earnings of needy families and child support collections, and decreasing out-of-wedlock pregnancies and child poverty), demographic and financial characteristics of applicants, recipients, and ex-recipients; characteristics of each TANF program; and trends in employment and earnings of needy families with children.

The Secretary of HHS is required to submit to four Committees of Congress annual reports on specified matters about three groups: children whose families lost TANF eligibility because of a time limit, children born after enactment of TANF to teen parents, and persons who became teen parents after enactment.

Explanation of Provision

The Committee recommendations permit the Secretary to designate core elements that must be reported for all families. They revise the data elements required to be reported by the States. Reporting of race and educational level of each *minor parent* is required. The requirement that States report the educational level of each child is deleted. The requirement to report the amount of food stamps and subsidized child care received by the family is removed. The requirement that States report on different types of assistance, conforming the reporting requirement to the narrowed definition of assistance in section 8117 is removed.

The reported activity list is expanded by adding: *training* and *other activities directed at TANF purposes.* Adds *and* (job) *placement* to job search. Omits job skills training and vocational education. Specifies that work experience and community service are "*supervised.*" Adds information needed to calculate *progress toward universal engagement*.

New information on recipient families in the quarterly report is required: the date the family first received aid on the basis of its most recent application; whether a self-sufficiency plan is established for the family; and the marital status of the parents of any child in the family at the birth of the child, and if the parents were not then married, whether the paternity of the child has been established.

Reason for Change

Since the 1996 welfare reform law was enacted, data reported to the Secretary of HHS has been critical in evaluating the impacts of various State and local programs. The recommendations conform data reporting elements to the proposal's increased emphasis

on work among current recipients. Based on the information provided to the Congress in the Annual Report submitted by the Secretary of HHS, there appear to be several areas on which additional information is needed to improve Congressional oversight of the program. For example, Congress does not have complete information on what State programs are funded with TANF dollars, and whether and what benefits are provided to families beyond the 60 month time limit. Another area in which additional information is needed relates to the changing nature of TANF programs in the direction of providing improved supports. While it is unreasonable to expect States to provide information on individuals receiving work supports, additional information on the types of supports provided to those receiving cash benefits and aggregate data on those receiving work supports in lieu of cash benefits would provide a better picture of State welfare programs. In particular, additional information on programs funded with State maintenance of effort dollars will advance the understanding of the changing nature of State TANF programs.

The recommendations' requirement that States provide information on all activities performed by adults receiving assistance and their fulfillment of self-sufficiency plan requirements would provide a clearer picture of the work and other activities in which recipients are engaged. Current data reflects that as of FY 2002, a full 58 percent of work eligible adults were participating in no hours of work or other activities, making this an area in which the Congress is interested in receiving additional data in accordance with the strengthened work requirements (particularly the requirement that 70 percent of adult recipients be engaged in work or work activities by FY 2010) provided under the Committee recommendations. Finally, the provision requiring increased analysis of State Single Audit reports responds to findings from a recent GAO report on the Single Audit process and HHS' oversight of the audits.

Section 8114. Direct Funding and Administration by Indian Tribes

Present Law

Earmarks some TANF funds in the amount equal to Federal pre-TANF payments received by a State and attributable to Indians for administration by tribes at their option. Sums used for tribal family assistance programs are deducted from State TANF grants. Also appropriates $7.6 million annually for work and training activities (now known as Native Employment Works [NEW]) to tribes that operated a pre-TANF work and training program.

Explanation of Provision

Continues Indian tribal assistance grants and NEW work/training grants through FY 2010.

Reason for Change

Makes conforming amendment.

Section 8115. Research, Evaluations, and National Studies

Present Law

The law requires the Secretary of HHS to conduct research on effects, costs, and benefits of State programs. The Secretary may help States develop innovative approaches to employing TANF recipients and shall evaluate them. For 6 years, appropriates $15 million annually, half for TANF research and novel approaches cited above and half for State-initiated TANF studies and completing pre-TANF waiver projects.

Explanation of Provision

The Committee recommendations appropriate $102 million each year for FYs 2006 through 2010 for research and demonstration projects and for technical assistance to States, tribal organizations, and other entities chosen by the Secretary. Two million dollars annually is set aside for demonstration projects for coordination of child welfare and TANF services to tribal families at risk of child abuse or neglect. The remaining $100 million per fiscal year shall be spent primarily on activities allowed under marriage promotion grants (see above). Entities conducting marriage promotion activities funded by these research and demonstration grants must ensure the participation is voluntary and that domestic violence issues be addressed (same requirements as apply to the healthy marriage promotion grants provided under section 8103).

Not later than March 31, 2006, the Secretary of HHS, in consultation with the Attorney General, will submit a report on the enforcement of affidavits of support and sponsor deeming required by P.L. 104-193. Not later than 6 months after enactment, the Secretaries of HHS and DOL will submit a joint report describing common or conflicting data elements, definitions, performance measures, and reporting requirements in the Workforce Investment Act and TANF law.

Reason for Change

Research, demonstrations, and technical assistance are a critical feature of the TANF program. Given the flexible nature of the block grant program, States have broad latitude to develop innovative programs that may be replicated by other States. The new $100 million fund authorized by the Committee recommendations would help answer important questions about what types of interventions may prevent divorce, increase and strengthen healthy marriages, and prevent and reduce the incidence of out-of-wedlock births. As scarce resources have been devoted to these important purposes of the TANF program, this new fund would play a critical role in developing and promoting best practices across the country. In addition, this new fund will provide much needed funding for technical assistance to tribal organizations as they work to create and develop TANF programs to meet the unique needs of their members.

The new demonstration authority for Indian tribes is intended to support tribes that receive funds under the Title IV-B Child Welfare Services or Promoting Safe and Stable Families programs but do not have access to the Title IV-E Adoption Assistance and Foster Care program. Parents seeking temporary assistance through the TANF program and those caring for children who have been subject to abuse and neglect or are at-risk of such maltreatment often face similar and complex service needs. The demonstration authority will help tribes improve coordination between these two programs; strengthen families by providing assistance and services necessary to prevent family disruption; and, when necessary, support out-of-home placements to safely care for children.

The Committee seeks information from HHS and the U.S. Department of Justice to verify that affidavit of support and sponsor deeming provisions are being implemented as the 1996 law intended. The Committee is concerned that the appropriate procedures and guidance to State and local governments have not been put in place in order to ensure these provisions are implemented.

Section 8116. Study by the Census Bureau

Present Law

The Census Bureau is directed to expand the Survey of Income and Program Participation (SIPP) to obtain data with which to evaluate TANF's impact on a random national sample of recipients. Appropriations are authorized at $10 million annually for FYs 2006 through 2010.

Explanation of Provision

Appropriations are authorized at $10 million annually for FY 2006 through FY 2010 to the Census Bureau. The Bureau is directed to implement or enhance a longitudinal survey of program participation to permit assessment of outcomes of continued reform on the economic and child well-being of low-income families with children, including those who received TANF-funded aid or services. Survey content should include information needed to examine the issues of out-of-wedlock childbearing, marriage, welfare dependency, beginning and ending of spells of assistance, work, earnings, and employment stability. To the extent possible, the survey is to provide State representative samples. Funds are to remain available through FY 2010 for this survey.

Reason for Change

The SIPP has been used widely by public and private researchers to assess impacts of the TANF program. This provision reauthorizes and refocuses future data collection efforts on areas of particular interest to the Committee, including out-of-

wedlock childbearing, length of stay on welfare, earnings and employment stability, and child well-being.

Section 8117. Definition of Assistance

Present Law

Receipt of assistance by a parent or other caretaker relative triggers work and time limit rules. Law does not define the term. By regulation, assistance is defined as ongoing aid to meet basic needs, plus support services such as child care and transportation subsidies, for unemployed recipients. It excludes non-recurrent short term benefits. Federally-funded "assistance" to a family with an adult is limited to 60 months; States *may* impose shorter time limits.

Explanation of Provision

The recommendations define "assistance" as payment, by cash, voucher, or other means, to or for an individual or family to meet a subsistence need, *but not including costs of transportation or child care*. They exclude non-recurrent short-term benefits.

Reason for Change

This provision codifies regulations important in determining how long individuals may receive cash benefits and when work requirements and penalties should be imposed. Clarifying that child care and transportation subsidies should never be considered assistance would provide States additional flexibility in supporting individuals who have left welfare and prevent welfare dependence for others. Combined with other features of this title, including the enhanced flexibility provided States in spending so-called carryover funds, this provision will afford States additional tools to support families with child care and other work supports as needed, including through use of the $3.75 billion in unspent TANF funds as of September 2004.

Section 8118. Technical Corrections

Present Law

Not applicable.

Explanation of Provision

Makes a number of technical corrections.

Reason for Change

Technical corrections.

Section 8119. Fatherhood Program

Section 8119 of the Committee recommendations amends Title I of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104-193) to add a new Fatherhood program to the Social Security Act as a new Part C of Title IV, as follows:

PART C – FATHERHOOD PROGRAM

Section 441 of Part C - Findings

Present Law

No provision.

Explanation of Provision

There is evidence indicating the need to promote and support involved, committed, and responsible fatherhood, and to encourage and support healthy marriages between parents raising children.

Reason for Change

The Committee is very interested in finding ways to reverse the negative impacts of single-parent families on both adults and children. One solution is to increase, in appropriate situations, the incidence of marriage. Whether or not marriage occurs, a second approach is to promote the involvement of single fathers in the lives of their children. Even when fathers do not live with their children, they still have a responsibility to participate in the child's rearing and to work with the mother to provide a solid foundation for the child's development. Economic support is another important part of the father's role in the family. Since many poor fathers have a weak and sporadic connection to the workforce, fatherhood projects would work to increase the number of employed fathers and improve the work skills of employed fathers to help them increase their income and be better able to provide economic support, including child support, to the family. The purposes selected by the Committee would help define projects that would contribute to addressing the problems associated with single-parent families.

Section 441 of Part C - Purposes

Present Law

No provision.

Explanation of Provision

The first of the three purposes is to provide for projects and activities by public entities and nonprofit community entities, including religious organizations, to test promising approaches to accomplishing the following four objectives:

(1) Promoting responsible, caring and effective parenting and encouraging positive father involvement, including the positive involvement of non-resident fathers;
(2) Enhancing the abilities and commitment of unemployed or low-income fathers to provide support for their families and to avoid or leave welfare;
(3) Improving fathers' ability to effectively manage family business affairs; and
(4) Encouraging and supporting healthy marriages and married fatherhood.

The second purpose is through the projects and activities described above, to improve outcomes for children such as increased family income and economic security, improved school performance, better health, improved emotional and behavioral stability and social adjustment, and reduced risk of delinquency, crime, substance abuse, child abuse and neglect, teen sexual activity, and teen suicide.

The third purpose is to evaluate approaches and disseminate findings to encourage replication of effective approaches to achieving the desired outcomes for both parents and children.

Reason for Change

The Committee recognizes the tremendous hurdles before single mothers, and their struggles to work and support their families, reflected most recently in the rise in the share of single mothers working following passage of the 1996 reforms. However, because so many of those high hurdles remain in place, it is an unfortunate fact that children reared in female-headed families are more likely to live in poverty, fail in school, be arrested, have children outside marriage, and go on welfare themselves. To help address these problems, the Committee recommendations implement a fatherhood grant program to provide funding for projects to work directly with fathers, especially those in poverty. The fatherhood projects would emphasize healthy marriage, parenting, and employment and may be able to reduce both the number of children being reared in single-parent families and, where marriage is not a possibility, to strengthen the relationship between single fathers and their children. Most Federal and State social programs, including welfare, are aimed primarily at helping single mothers. The fatherhood grant program acknowledges that Congress is interested in helping fathers improve their financial independence, manage their financial affairs, and strengthen their ability to support their family.

Section 442 of Part C - Definitions

Present Law

No provision.

Explanation of Provision

Declares the terms "Indian tribe" and "tribal organization" to have the meanings given them in subsections (e) and (l), respectively, of Section 4 of the Indian Self-Determination and Education Assistance Act.

Reason for Change

Clarifies the definition of “Indian tribe” and “tribal organization” as they relate to the fatherhood grant program.

Section 443 of Part C - Competitive Grants for Service Projects

Present Law

No provision.

Explanation of Provision

Authorizes the Secretary of HHS to make grants for FY 2006 through FY 2010 to public and nonprofit community entities, including religious organizations, and to Indian tribes and tribal organizations, for demonstration service projects and activities designed to test the effectiveness of various approaches to accomplishing the four specified objectives.

Requires that in order to qualify for a full-service project grant an entity (applicant) must submit an application to the Secretary of HHS that contains the following elements:

> *Project description*. A description of the project and how it will be carried out, including the geographical area to be covered and the number and characteristics of clients to be served, and how it will address each of the four specified objectives; and of how the entity or its contractor will self-evaluate the project.
>
> *Experience and qualifications*. A demonstration of the applicant's ability to carry out the project, and such other qualifications as the Secretary may require.

Addressing child abuse and neglect and domestic violence. A description of how the applicant will assess for the presence of, and intervene to resolve, child abuse and neglect and domestic violence, including how the applicant will coordinate with State and local child protective service and domestic violence programs.

Addressing concerns relating to substance abuse and sexual activity. A commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

Coordination with specified programs. An undertaking to coordinate, as appropriate, with State and local entities responsible for the TANF, Child Welfare Service, and Child Support Enforcement (CSE) programs under Title IV of the Social Security Act, programs under Title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs as the Secretary may require.

Records, reports, and audits. An agreement to maintain records, make reports, and cooperate with reviews or audits as required by the Secretary.

Self-initiated evaluation. If the applicant elects to contract for independent evaluation of the project (part or all of the cost of which may be paid for using grant funds), a commitment to submit to the Secretary a copy of the evaluation report by 30 days after completion of the report and not more than 1 year after completion of the project.

Cooperation with Secretary's oversight and evaluation. An agreement to cooperate with the Secretary's evaluation of the project, by means including random assignment of clients to service recipient and control groups, if determined appropriate; and also agreement to give the Secretary access to project staff and clients, and project documents and records.

Requires that in order to qualify for a *limited purpose grant* of less than $25,000 per fiscal year, an entity (applicant) must submit an application to the Secretary that contains the following elements:

Project description. A description of the project and how it will be carried out, including the number and characteristics of clients to be served, the proposed duration of the project, and how it will address at least one of the four specified objectives.

Qualifications. Such information as the Secretary may require as to the capacity of the entity to carry out the project, including any previous experience with similar activities.

Coordination with related programs. As required by the Secretary in appropriate cases, an undertaking to coordinate and cooperate with State and local entities responsible for specific programs relating to the objectives of the project, including, as appropriate, jobs programs and programs serving children and families.

Records, reports, and audits. An agreement to maintain such records, make such reports, and cooperate with such reviews or audits as the Secretary may find necessary for purposes of oversight of project activities and expenditures.

*Cooperation with Secretary's oversight and evaluation***.** An agreement to cooperate with the Secretary's evaluation of projects assisted under this section, by means including affording the Secretary access to the project and to project-related records and documents, staff and clients.

In awarding grants, the Secretary must seek to achieve a balance among entities of differing sizes, entities in differing geographic areas, entities in urban and in rural areas, and entities employing differing methods of achieving the program purposes, including working with CSE agencies to help fathers satisfy child support arrearages. The Secretary may give preference to projects in which a majority of the clients to be served are low-income fathers.

Federal grant funds may be used for up to 80 percent of the annual costs of full-service projects (or up to 90 percent, if the entity demonstrates circumstances limiting the entity's ability to secure non-Federal resources), and for up to 100 percent of annual costs for limited-purpose projects. The non-Federal share may be in cash or in kind.

Reason for Change

Funding both full service and limited purpose fatherhood grant projects would enable the Secretary of HHS to collect valuable information about the effectiveness of using different approaches to meet the goals of the fatherhood grant program. During Committee hearings on fatherhood issues in recent Congresses, Members have expressed interest in a variety of fatherhood programs – from those addressing the needs of inner city populations to those run by a rural faith-based group working to address specific problems in a small community. Of particular interest are programs that help young low-income fathers meet their child support obligations, both current and past due. One approach, which has been used on a limited basis in Maryland, Iowa, and Montana, is to consider compromising arrearages owed to the State when the non-custodial parent has kept current on a child support payment plan for a specific period of time or has enrolled and completed a responsible fatherhood project under which he went to work and completed certain activities.

Section 444 of Part C - Multicity, Multistate Demonstration Projects

Present Law

No provision.

Explanation of Provision

Generally allows the Secretary of HHS to make multicity, multistate demonstration project grants for FY 2006 through FY 2010 to eligible entities (described below) for two multicity, multistate projects demonstrating approaches to achieving the four specified objectives. One of the projects is required to test the use of married couples to deliver program services.

Provides that an entity eligible for a multicity, multistate grant must be a national nonprofit fatherhood promotion organization with substantial experience in designing and successfully conducting programs meeting the three purposes described earlier, and with experience in simultaneously conducting such programs in more than one major metropolitan area in more than one State, and in coordinating, when appropriate, with State and local government agencies (including agencies responsible for child support enforcement and workforce development) and private, and nonprofit agencies (including community-based and religious organizations).

Requires that in order to qualify for a multicity, multistate demonstration project grant and an entity (applicant) must submit an application to the Secretary that contains the following elements:

Qualifications. An entity must meet the eligible entity requirements described above. Further, the application must include any other information the Secretary may find necessary to demonstrate the entity's capacity to carry out the project, including the entity's ability to provide the non-Federal share of project resources.

Project description. A description of and commitments concerning the project design, including the following elements: A detailed description of the project, which (a) provides for projects to be conducted in at least three major metropolitan areas; (b) States how it will address each of the four specified objectives; (c) demonstrates that there are sufficient potential clients to permit random assignment to service recipient and control groups; and (d) demonstrates that the project will direct a majority of resources to serving low-income fathers (but need not employ means-testing).

The project description must include an agreement that the entity will cooperate with the Secretary's and evaluator's oversight and evaluation of the project, by

means including providing access to the project and to project-related records and documents, staff and clients; and will, in consultation with the evaluator and as required by the Secretary, modify the project design, initially and subsequently (including by providing for random assignment), as necessary to facilitate oversight and evaluation and to make appropriate mid-course adjustment in the project design indicated by interim evaluations; and will submit revised descriptions of modified project designs to the Secretary.

Addressing child abuse and neglect and domestic violence. A description of how the applicant will assess for the presence of, and intervene to resolve, child abuse and neglect and domestic violence, including how the applicant will coordinate with State and local child protective service and domestic violence programs.

Addressing concerns relating to substance abuse and sexual activity. A commitment to make available to each individual participating in the project education about alcohol, tobacco, and other drugs, and about the health risks associated with abusing such substances, and information about diseases and conditions transmitted through substance abuse and sexual contact, including HIV/AIDS, and to coordinate with providers of services addressing such problems, as appropriate.

Coordination with specified programs. An undertaking to coordinate, as appropriate, with State and local entities responsible for the TANF, Child Welfare Service, and CSE programs under Title IV of the Social Security Act, programs under Title I of the Workforce Investment Act of 1998 (including the One-Stop delivery system), and such other programs required by the Secretary.

Records, reports, and audits. An agreement to maintain records, make reports, and cooperate with reviews or audits required by the Secretary.

Federal grant funds for multicity, multistate demonstration projects may be used for up to 80 percent of annual costs of the demonstration projects. The non-Federal share may be in cash or in kind.

Reason for Change

It is important that some experienced fatherhood organizations develop grant projects in major cities. The Committee is aware of a number of these organizations that have sponsored fatherhood programs in inner-city areas, have experience working with State and local agencies, and have the capacity to design projects that would improve outcomes for fathers. The Committee expects the selected projects to provide project information with the Secretary of HHS that can be shared with other programs.

Section 445 of Part C - Evaluation

Present Law

No provision.

Explanation of Provision

The Secretary of HHS is authorized, directly or by contract or cooperative agreement, to evaluate the effectiveness of the selected competitive grants for service projects and the selected multicity, multistate demonstration projects from the standpoint of the specified program purposes.

Evaluations under this section must use assessment methods including, to the maximum extent feasible, random assignment of clients to service delivery and control groups; to describe and measure the effectiveness of the projects in achieving their goals; and describe and assess, their impact on marriage, parenting, domestic violence, child abuse and neglect, money management, employment and earnings, payment of child support, and child well-being, health and education.

The Secretary is required to publish an implementation evaluation report covering the first 24 months of the activities under these recommendations to be completed by 36 months after initiation of such activities; and a final report on the evaluation to be completed by September 30, 2013.

Reason for Change

Carefully evaluating the fatherhood projects and their outcomes would help the Secretary of HHS determine the best approaches to meet program objectives. The Committee is interested in maximizing information for Congress and others to review in considering whether a project has been effective.

Section 446 of Part C - Projects of National Significance

Present Law

No provision.

Explanation of Provision

The Secretary of HHS is authorized, by grant, contract or cooperative agreement, to carry out projects and activities of national significance relating to fatherhood promotion, including the following elements.

Collection and dissemination of information. Assisting States, communities, and private entities, including religious organizations, in efforts to promote and

support marriage and responsible fatherhood by collecting, evaluating, developing, and making available (through the Internet and by other means) to all interested parties information regarding approaches to accomplishing the four specified objectives.

Media campaign. Developing, promoting, and distributing to interested States, local governments, public agencies, and private nonprofit organizations, including charitable and religious organizations, a media campaign that promotes and encourages involved, committed and responsible fatherhood and married fatherhood.

Technical assistance. Providing technical assistance, including consultation and training, to public and private entities, including community organizations and faith-based organizations, in the implementation of local fatherhood promotion programs.

Research. Conducting research on projects of national significance related to fatherhood promotion.

Reason for Change

To assist State and local projects that are working to help young and especially poor fathers become better husbands, parents, and providers, fatherhood projects of national significance will produce, collect, and distribute information about accomplishing the goals of the fatherhood program. Other allowable activities such as a media campaign, technical assistance, and research would help encourage involved, committed, and responsible fatherhood and married fatherhood.

Section 447 of Part C - Nondiscrimination

Present Law

No provision.

Explanation of Provision

The projects and activities assisted must be made available on the same basis to all fathers and expectant fathers able to benefit from such projects and activities, including married and unmarried fathers and custodial and noncustodial fathers, with particular attention to low-income fathers, and to mothers and expectant mothers on the same basis as to fathers.

Reason for Change

This provision clarifies the intent of the Committee regarding nondiscrimination.

Section 448 of Part C - Authorization of Appropriations; Reservation for Certain Purposes

Present Law

No provision.

Explanation of Provision

Appropriations of $20 million for each of FY 2006 through FY 2010 are authorized. Not more than 15 percent of the annual appropriation shall be available for the costs of the multi-city, multi-State demonstration projects under Section 444, evaluations under Section 445, and projects of national significance under Section 446.

Reason for Change

This level of funding is appropriate for initiating the program so it can provide valuable information about effective approaches that help young men become better fathers and play a more significant role in their family's lives.

Section 8120. State Option to Make TANF Programs Mandatory Partners with One-Stop Employment Training Centers

Present Law

The Workforce Investment Act (WIA) makes TANF an optional partner with one-stop employment training centers.

Explanation of Provision

Makes State TANF programs mandatory partners with one-stop employment training centers established under the Workforce Investment Act, unless the governor of a State decides otherwise and so notifies the Secretaries of HHS and DOL.

Reason for Change

This provision is intended to enhance program integration and ensure that all available employment services and training opportunities are available for low-income individuals by making TANF a mandatory partner with the Workforce Investment Act One-Stop Delivery System, unless a State decides otherwise.

Section 8121. Sense of the Congress

Present Law

No provision.

Explanation of Provision

Provides that it is the sense of Congress that a State welfare-to-work program should include mentoring.

Reason for Change

The sense of the Congress is intended to emphasize the interest of Congress that States include mentoring activities in their welfare-to-work programs.

Section 8122. Drug Testing of Applicants for and Recipients of Assistance

Present Law

States may test welfare recipients for the use of controlled substances and sanction recipients who test positive for controlled substances.

Explanation of Provision

The Committee recommendations require States to test applicants and recipients of TANF for use of drugs if the State has a reason to believe he or she has unlawfully used a controlled substance. If the applicant or recipient tests positive for drug use, or if the State otherwise determines that he or she has unlawfully used drugs, the State must ensure that the family self-sufficiency plan addresses the use of the substance; suspend cash assistance to the family until a subsequent test shows no drug use; and require the applicant or recipient to undergo periodic drug tests (every 30 or 60 days) as a condition of receiving cash assistance.

States are required to terminate participation in the program for a family for 3 years if the recipient fails the drug test at least three consecutive times (States may set a more lax requirement, allowing failure of the drug test for up to six consecutive times).

The Secretary of HHS is required to penalize a State that does not comply with this requirement. The penalty is a minimum of five percent of the State's block grant, and a maximum of ten percent of the State's block grant, with the Secretary determining the exact penalty amount.

Reason for Change

Welfare reform is intended to identify and remove barriers in the path to self-sufficiency for low-income individuals and their families. Individuals who use and are addicted to drugs encounter numerous difficulties in moving to healthy, self-reliant lives as workers and parents. This provision is designed to help identify drug users to ensure that States assist these individuals, including by adjusting their self-sufficiency plan to include activities to assist the individual in overcoming drug use.

SUBTITLE B. CHILD CARE

Section 8201. Entitlement Funding

Present Law

Entitles States to a basic block grant based on FY 1992-1995 expenditures in welfare-related child care. Mandatory funds above this amount are provided to States on a matching basis. Also appropriates entitlement (mandatory) funding at the FY 2002 rate of $2.717 billion annually through December 31, 2005.

Explanation of Provision

The Committee recommendations appropriate funds for mandatory child care as follows:

$2.717 billion for FY 2006;
$2.767 billion for FY 2007;
$2.817 billion for FY2008;
$2.867 billion for FY 2009; and
$2.917 billion for FY 2010.

Reason for Change

In addition to continuing the current record high Federal funding levels in FY 2006 for the mandatory portion of the CCDBG, the Committee recommendations provide for increased funding in FYs 2007 through 2010. The Committee recommendations provide for increases of $50 million in FY 2007, $100 million in FY 2008, $150 million in FY 2009, and $200 million in FY 2010.

Thus the total amount of mandatory child care provided under the Committee recommendations is $14 billion over the next 5 fiscal years. That is in addition to child care available from other sources, including the $17 billion Federal TANF block grant and State maintenance of effort funds in excess of $10 billion annually, the $1.7 billion annual Federal Title XX SSBG, over $2 billion annually in discretionary child care funds (under the jurisdiction of the Education and the Workforce Committee), and other State resources. In addition, the Committee recommendations (Section 8107, Use of Funds)

provide additional State flexibility to spend TANF funds for child care by increasing the amount of funds that may be transferred from TANF to the CCDBG, and otherwise provide additional flexibility in spending current and carryover TANF funds for child care needs.

SUBTITLE C. CHILD SUPPORT

Section 8301. Federal Matching Funds for Limited Pass Through of Child Support Payments to Families Receiving TANF

Present Law

While the family receives TANF benefits, the State is permitted to retain any current child support payments and any assigned arrearages it collects up to the cumulative amount of TANF benefits which have been paid to the family. In other words, the State can decide how much, if any, of the State share (some, all, none) of the child support payment collected on behalf of TANF families to send to the family. The State is required to pay the Federal government the Federal share of the child support collected.

Explanation of Provision

For TANF families, requires the Federal government to waive its share of an *increase* in the child support passed through to the family (up to the greater of $100 per month or $50 over the State's stipulated child support pass through as of December 31, 2001). To obtain the Federal matching funds, the State has to disregard the amount passed through to the family in determining the family's TANF benefit amount. This provision would apply to amounts distributed on or after October 1, 2008.

Reason for Change

The Committee recommendations provide that current and former welfare families receive more of the child support collected from non-custodial parents. By providing a Federal match for certain child support passed through to current TANF families, States would be given an incentive to enact such a policy. These additional funds for current TANF families would help the family by encouraging a stronger connection between the family and the absent parent, providing additional regular income for the family, and allowing the paying parent to see that at least part of their child support payments are actually going to the family, rather than being retained by the government.

Section 8302. State Option to Pass Through All Child Support Payments to Families that Formerly Received TANF

Present Law

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

Explanation of Provision

The Committee recommendations simplify child support distribution rules to give States the option of providing families that have left TANF the full amount of the child support collected on their behalf (i.e., both current child support and child support arrearages). The Federal government would share with the States the costs of paying child support arrearages to the family first. This provision would apply to amounts distributed on or after October 1, 2008.

Reason for Change

Providing additional funds to single-parent families leaving welfare would increase the parents' incentive to leave welfare, improve the chances that they will be able to sustain themselves and their children without falling back on welfare, and contribute to strengthening the bond between children and non-custodial parents.

Section 8303. Mandatory Review and Adjustment of Child Support Orders for Families Receiving TANF

Present Law

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

Explanation of Provision

States are required to review and, if appropriate, adjust child support orders in TANF cases every 3 years. This provision would take effect on October 1, 2007.

Reason for Change

Factors such as inflation, unemployment, promotion, job change, marriage, or disability can cause child support orders to become outdated and need adjustment. Although requiring regular review of child support orders would involve the investment of time and money by States, according to the Congressional Budget Office, both States and the Federal government would save money if child support orders were updated every 3 years. In addition to reducing costs, a regular review and modification of child support orders would promote fairness for both custodial and non-custodial parents. For custodial parents, positive changes in the financial condition of the non-custodial parent can result in higher child support payments for families. For non-custodial parents experiencing economic difficulties, proper adjustment of a child support order would help prevent them from accumulating unnecessary debt while allowing for continued, though perhaps lower, regular financial contribution to the monthly income needs of the child.

Section 8304. Mandatory Fee for Successful Child Support Collection for Family That Has Never Received TANF

Present Law

Federal law requires that non-welfare families may apply for CSE services, and States must charge an application fee that cannot exceed $25. Such fees may be recovered from the custodial parent, the noncustodial parent, or the State (with State funds). In addition, States have the option of recovering costs in excess of the application fee. Such recovery may be from either the custodial parent or the noncustodial parent.

Explanation of Provision

Families that have never been on TANF are required to pay a $25 annual user fee when child support enforcement efforts on their behalf are successful (i.e., at least $500 annually is collected on their behalf). Such fees may be recovered from the custodial parent, the noncustodial parent, or the State (with State funds). This provision would take effect on October 1, 2006.

Reason for Change

The implementation of user fees in certain non-welfare cases contributes to offsetting the costs of the program and is a reasonable expectation, especially with the limitation that fees apply only in those cases in which at least $500 is collected. This means the $25 fee equals a maximum of five percent of any amount collected, and less in the case of collections exceeding $500. In addition, this action represents continued progress toward a focus on families and a strengthened child support enforcement program instead of simply recoupment of welfare benefit costs.

Section 8305. Report on Undistributed Child Support Payments

Present Law

No provision.

Explanation of Provision

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

Reason for Change

The Committee is interested in learning more about the problem of collected child support payments that are being held by the State rather than being distributed to families because of problems such as an incorrect address. The Secretary of HHS is directed to examine this problem and its causes, estimate the amount of money that is undistributed and the length of time for which it is undistributed, and make recommendations on State or Federal policy changes that would effectively address this problem.

Section 8306. Decrease in Amount of Child Support Arrearage Triggering Passport Denial

Present Law

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

Explanation of Provision

The Committee recommendations authorize the denial, revocation, or restriction of passports to noncustodial parents whose child support arrearages exceed $2,500, rather than $5,000 as under current law. This provision would take effect on October 1, 2006.

Reason for Change

The passport denial program has proved to be an effective method for collecting past-due child support payments. Since the program's inception in June 1998, individuals with child support arrearages have paid over $21 million in lump sum child support payments to avoid losing their passports. By lowering the amount that triggers passport revocation, even more child support would be collected to help more families.

Section 8307. Use of Tax Refund Intercept Program to Collect Past-Due Child Support on Behalf of Children who are Not Minors

Present Law

Federal law prohibits the use of the Federal income tax offset program to recover past-due child support on behalf of non-welfare cases in which the child is not a minor, unless the child was determined disabled while he or she was a minor and for whom the child support order is still in effect. (Since enactment in 1981 (P.L. 97-35), the Federal income tax offset program has been used to collect child support arrearages on behalf of welfare families regardless of whether the children were still minors as long as the child support order was in effect.)

Explanation of Provision

Permits the Federal income tax refund offset program to be used to collect arrearages on behalf of non-welfare children who are no longer minors. This provision would take effect on October 1, 2007.

Reason for Change

Originally proposed as part of H.R. 4071 in the 106th Congress, this provision promotes equal treatment of all child support debts, increases collections, and strengthens the important message that child support debts cannot be avoided by withholding payment until the child is no longer a minor.

Section 8308. Garnishment of Compensation Paid to Veterans for Service-Connected Disabilities in Order to Enforce Child Support Obligations

Present Law

The disability compensation benefits of veterans are treated differently than most forms of government payment for purposes of paying child support. Whereas most government payments are subject to being automatically withheld to pay child support, veterans' disability compensation is not subject to intercept. The only exception occurs when veterans have elected to forego some of their retirement pay in order to collect

additional disability payments. The advantage of veterans replacing retirement pay with disability pay is that the disability pay is not subject to taxation. With this exception, the only way to obtain child support payments from veterans' disability compensation is to request that the Secretary of the Veterans Administration intercept the disability compensation and make the child support payments.

Explanation of Provision

Allows veterans' disability compensation benefits to be intercepted (withheld) and paid on a routine basis to the custodial parent if the veteran is 60 days or more in arrears on child support payments. This provision cannot be used to collect alimony and no more than 50 percent of any particular disability payment can be withheld. This provision would take effect on October 1, 2007.

Reason for Change

The Ways and Means Committee has been supportive of allowing veterans' disability payments to be subject to withholding to enforce child support obligations. Nonetheless, by allowing withholding only after the veteran has been 60 days in arrears on child support obligations, veterans' disability payments would continue to be treated differently than most other government payments; the Committee believes the fact that veterans are receiving the payments because they were injured in the line of duty justifies this continued differential treatment.

Section 8309. Maintenance of Technical Assistance Funding

Present Law

Federal law appropriates an amount equal to 1 percent of the Federal share of child support collected on behalf of TANF families during the preceding year for the Secretary to provide information dissemination and technical assistance to the States, training of State and Federal staff, staffing studies, related activities needed to improve CSE programs (including technical assistance concerning State automated CSE systems), and research demonstration and special projects of regional or national significance relating to the operation of CSE programs. Such funds are available until they are expended.

Explanation of Provision

Changes the amount available for technical assistance funding to an amount equal to one percent of the Federal share of child support collected or the amount appropriated for FY 2002, whichever is greater.

Reason for Change

Funding authorized under this provision is an important element of the Federal government's oversight of the development of State automated child support program systems. This provision would help maintain an adequate funding stream for much needed technical assistance as HHS works to bring all States into compliance with the automated system requirements of the 1996 welfare reform law.

Section 8310. Maintenance of Federal Parent Locator Service Funding

Present Law

Federal law appropriates an amount equal to two percent of the Federal share of child support collected on behalf of TANF families during the preceding year for the Secretary to use for operation of the Federal Parent Locator Service to the extent that the costs of the Federal Parent Locator Service are not recovered by user fees. Funds that were appropriated for FYs 1997-2001 remain available until expended.

Explanation of Provision

Changes the amount available for the Federal Parent Locator Service (FPLS) to an amount equal to two percent of the Federal share of child support collected or the amount appropriated for FY 2002, whichever is greater. Makes all funds appropriated for this purpose available until expended.

Reason for Change

The FPLS processes millions of requests for information to help find absent parents in order to secure and enforce child support obligations. This provision would help maintain an adequate funding stream for this important service.

Section 8311. Information Comparisons with Insurance Data

Present Law

No provision.

Explanation of Provision

The Secretary of HHS is authorized, via the Federal Parent Locator Service, to compare information of noncustodial parents who owe past-due child support with information maintained by insurers (or their agents) concerning insurance claims, settlements, awards, and payments; and to furnish any information resulting from a match to the appropriate State CSE agency in order to secure settlements, awards, etc. for payment of past-due child support. Stipulates that no insurer would be liable under Federal or State law for disclosures made in good faith of this provision.

A State or Federal agency that receives such information from the Secretary of HHS must reimburse the Secretary for the costs incurred by the Secretary in providing the information, at rates which the Secretary determines to be reasonable.

Reason for Change

Although States must have laws requiring the use of procedures that authorize intercepting or seizing periodic or lump-sum payments from settlements to satisfy current support obligations, States often cannot access the databases that contain insurance and settlement information. To assist States, the Committee recommendations allow the Secretary of HHS to administer a program to match the list of those individuals owing past-due child support against insurance databases to identify individuals who have pending insurance claims and settlements. The Secretary of HHS would notify States if delinquent obligors have pending insurance claims and settlements so that States could take enforcement actions to freeze and seize these payments. Participation by insurance companies would be voluntary.

Section 8312. Tribal Access to the Federal Parent Locator Service

Present Law

The FPLS is a national location system operated by the Federal Office of Child Support Enforcement to assist States in locating noncustodial parents, putative fathers, and custodial parties for the establishment of paternity and child support obligations, as well as the enforcement and modification of orders for child support, custody and visitation. It also identifies support orders or support cases involving the same parties in different States. The FPLS consists of the Federal Case Registry, Federal Offset Program, Multi-State Financial Institution Data Match, National Directory of New Hires, and the Passport Denial Program. Additionally, the FPLS has access to external sources such as the Internal Revenue Service (IRS), the Social Security Administration (SSA), Department of Veterans Affairs (VA), the Department of Defense (DOD), and the Federal Bureau of Investigation (FBI). The FPLS is only allowed to transmit information in its databases to "authorized persons," which include (1) child support enforcement agencies (and their attorneys and agents); (2) courts, (3) the resident parent, legal guardian, attorney, or agent of a child owed child support; and (4) foster care and adoption agencies.

Explanation of Provision

The Committee recommendations include Indian tribes and tribal organizations that operate a CSE program as "authorized persons."

Reason for Change

To help tribal child support enforcement programs locate non-custodial parents to establish paternity and collect child support, the Committee recommendations give tribal child support enforcement programs access to the Federal Parent Locator Service. This action will increase child support collections to families, especially tribal families.

Section 8313. Reimbursement of Secretary's Costs of Information Comparisons and Disclosure for Enforcement of Obligations on Higher Education Act Loans and Grants

Present Law

Federal law (P.L. 106-113) authorized the Department of Education to have access to the National Directory of New Hires. The provisions were designed to improve the ability of the Department of Education to collect on defaulted student loans and grant overpayments made to individuals under Title IV of the Higher Education Act of 1965. The Federal Office of Child Support Enforcement (OCSE) and the Department of Education negotiated and implemented a Computer Matching Agreement in December 2000. Under the agreement, the Secretary of Education is required to reimburse the Secretary of HHS for the *additional* costs incurred by the Secretary of HHS in furnishing requested information.

Explanation of Provision

The reimbursement of costs provision is amended by eliminating the word "additional," thereby requiring the Secretary of Education to reimburse the Secretary of HHS for any costs incurred by the Secretary of HHS in providing requested information on new hires.

Reason for Change

The Committee recommendations make legislative language governing the Department of Education's access to the National Directory of New Hires consistent with general reimbursement language that applies to other entities.

Section 8314. Technical Amendment Relating to Cooperative Agreements Between States and Indian Tribes

Present Law

Federal law requires that any State that has a child welfare program and that has Indian country may enter into a cooperative agreement with an Indian tribe or tribal organization if the tribe demonstrates that it has an established tribal court system with several specific characteristics related to paternity establishment and the establishment and enforcement of child support obligations. The Secretary of HHS may make direct

payments to Indian tribes and tribal organizations that have approved child support enforcement plans.

Explanation of Provision

The Committee recommendations delete the reference to child welfare programs.

Reason for Change

The reference to be deleted incorrectly refers to the child welfare program rather than the child support enforcement program.

Section 8315. State Option to Use Statewide Automated Data Processing and Information Retrieval System for Interstate Cases

Present Law

The 1996 welfare reform law mandated States to establish procedures under which the State would use high-volume automated administrative enforcement, to the same extent as used for intrastate cases, in response to a request from another State to enforce a child support order. This provision was designed to enable child support agencies to quickly locate and secure assets held by delinquent noncustodial parents in another State without opening a full-blown interstate child support enforcement case in the other State. The assisting State must use automatic data processing to search various State data bases including financial institutions, license records, employment service data, and State new hire registries, to determine whether information is available regarding a parent who owes a child support obligation, the assisting State is then required to seize any identified assets. This provision does not allow States to open/establish a child support interstate case.

Explanation of Provision

The Committee recommendations allow an assisting State to establish a child support interstate case based on another State's request for assistance; and thereby an assisting State would be able to use the CSE statewide automated data processing and information retrieval system for interstate cases.

Reason for Change

The Committee recommendations allow States that cannot now use their automated systems to provide high-volume automated administrative enforcement services in interstate cases to choose to open a case in order to assist other States in collecting child support.

Section 8316. Modification of Rule Requiring Assignment of Support Rights as a Condition of Receiving TANF

Present Law

In order to receive benefits TANF recipients must assign their child support rights to the State. The assignment covers any child support that accrues while the family receives TANF and any support that accrued before the family began receiving TANF.

Explanation of Provision

The Committee recommendations stipulate that the assignment covers child support that accrues during the period that the family receives TANF, and also gives States the option of including in the assignment child support that accrued to the family before the family began receiving TANF. This provision would take effect on October 1, 2008.

Reason for Change

To help families as they transition from welfare to work, the Committee recommendations allow States to permit families to keep more of the child support collected on their behalf.

Section 8317. State Option to Discontinue Certain Support Assignments

Present Law

Any assignment of rights to child support that was in effect on September 30, 1997 *must* remain in effect. This means that any child support collected as a result of the assignment is owed to the State and the Federal government.

Explanation of Provision

Any assignment of rights to child support that was in effect on September 30, 1997 *may* remain in effect. This means that States would have the option to discontinue pre-assistance assignments in effect on September 30, 1997. If a State chooses to discontinue the child support assignment, the State would have to give up its legal claim to collections based on such arrearages and the State would have to distribute the collections to the family.

In addition, States would have the option to discontinue pre-assistance assignments in effect after September 30, 1997 and before the implementation date of this provision. If a State chooses to discontinue the child support assignment, the State would have to give up its legal claim to collections based on such arrearages and the State would have to distribute the collections to the family.

Reason for Change

Allowing States the option to discontinue certain assignments of pre-assistance child support can contribute to increased child support payments to families and simplified administration of child support programs by the States.

Section 8318. Technical Correction

Present Law

Section 453(j) of the Social Security Act includes two paragraphs labeled with the number (7).

Explanation of Provision

This provision corrects the numbering order of the paragraphs in Section 453(j) of the Social Security Act.

Reason for Change

Technical correction.

Section 8319. Reduction in Rate of Reimbursement of Child Support Administrative Expenses

Present Law

Without limit, the Federal government reimburses States for 66 percent of the cost of operating their child support programs.

Explanation of Provision

Federal participation in the child support program will continue, but with a gradual reduction in the Federal matching rate. The reimbursement rate would be 62 percent for FY 2007, 58 percent for FY 2008, 54 percent for FY 2009, and 50 percent for FY 2010 and each succeeding fiscal year.

Reason for Change

The GAO reports that the current Federal matching rate for administrative expenses in the Medicaid, Food Stamps, Foster Care, and Adoption Assistance programs is 50 percent. This provision will make, by FY 2010, the Federal matching rate for child

support program administrative costs the same as the current participation rate in other major Federal-State programs.

As a result of the current 66 percent Federal matching rate as well as other current program features -- including the provision of Federal incentive payments, which would be retained under this title (but which would no longer be subject to Federal matching payments; see below) -- the GAO also reports that in FY 2004 Federal funds actually paid for a full 88 percent of net child support program administrative costs. Regardless of the tremendous success of this program in recovering child support, this degree of Federal funding is difficult to justify, especially in a program operated by the States and from which States receive numerous benefits. Those benefits include reductions in the need for payment of TANF benefits. The Committee notes the TANF caseload has fallen by more than 60 percent since 1996, which has permitted States to operate TANF programs using approximately $10 billion annually in State funds and thus collectively save approximately $3 billion per year in State funds relative to pre-1996 levels of State spending. At the same time, the Federal TANF block grant commitment has remained constant at $17 billion per year, and States currently have $3.75 billion in unspent Federal TANF funds.

By gradually reducing the Federal matching rate to 50 percent by FY 2010, a level equaling the rate already provided under other major programs, while retaining the payment of approximately $500 million per fiscal year in Federal incentive payments used for administrative purposes, the Committee expects that the Federal government will continue to support more than half of all child support administrative costs into the future. At the same time, the current 88 percent Federal share of net program costs as reported by the GAO will be reduced to a more reasonable and in the long run justifiable level.

Section 8320. Incentive Payments

Present Law

Current law requires the Secretary of HHS to reimburse each State for child support expenditures at specified Federal matching rates. In addition, section 458 of the Social Security Act provides States with incentive payments based on program performance. States are required to spend incentive payments on child support enforcement activities. Incentive payments spent ("reinvested") within the child support program are eligible for a Federal match. Incentive payments are estimated to be: $446 million in FY 2005, $458 million in FY 2006, $471 million in FY 2007, $483 million in FY 2008, $494 million in FY 2009, and $505 million in FY 2010.

Explanation of Provision

The Committee recommendations end the Federal matching of State expenditure of Federal CSE incentive payments. (This means that CSE incentive payments that are

received by States and reinvested in the CSE program are not eligible for Federal reimbursement.) This provision would take effect on October 1, 2007 – that is, starting in FY 2008.

Reason for Change

The Committee recommendations continue the provision of child support incentive payments based on State performance in achieving certain indicators of an effective child support program. While continuing the Federal payment of such incentives, the Committee recommendations end the current policy of providing States additional Federal matching funds for spending Federal incentive funds on child support program purposes, for several reasons. There is nothing to indicate that the Committee intended to allow States to receive such matching payments in the legislation creating the current incentive bonus structure (P.L. 105-200). In addition, current policy violates the longstanding budgetary principle of not matching State spending of one Federal dollar with the payment of another Federal dollar. As described above, the Committee also notes a recent study by the GAO, which indicates that current Federal administrative funding under the child support enforcement program is among the most generous of major Federal entitlement programs. Federal funds account for 88 percent of net costs in the child support program, far exceeding the Federal share of such costs under many other major social programs, including foster care and adoption and health care programs, including Medicaid.

SUBTITLE D. CHILD WELFARE

Section 8401. Extension of Authority to Approve Demonstration Projects

Present Law

Section 1130 (a)(1) and (2) of the Social Security Act permits the Secretary of HHS to conduct demonstration projects that are likely to promote the objectives of the child welfare programs authorized under Title IV-B and Title IV-E. This authority extends through FY 2005.

Explanation of Provision

The Committee recommendations extend the authority of the Secretary of HHS to permit child welfare demonstration projects through FY 2010.

Reason for Change

Waivers of Federal Foster Care, Adoption Assistance, and child welfare services programs allow States to seek improvements and efficiencies in child protection programs. For example, managed care approaches to service provision approved under

Title IV-E waivers have allowed States to provide increased support services to a broader range of families than could be accomplished under the restrictive guidelines that govern existing Federal funding streams.

Much has been learned from the existing demonstration projects, particularly as a result of the requirement that projects be rigorously evaluated. Continuation of this activity would yield additional important information on ways to improve the provision of services to children and families in need.

Section 8402. Elimination of Limitation on Number of Waivers

Present Law

Section 1130(a)(2) of the Social Security Act limits to 10 the number of demonstration projects the Secretary of HHS may grant in a single fiscal year.

Explanation of Provision

The Committee recommendations remove the restriction on the number of demonstration projects the Secretary of HHS may approve in each fiscal year.

Reason for Change

The authority of the Secretary of HHS to approve child welfare waivers has been increased over time and many States currently operate demonstration projects. Existing waivers have shown that enhanced flexibility can free States and localities to expand and improve services and supports to families without jeopardizing program integrity. Any and all States should have the opportunity to seek out approaches designed to improve child protection services that match local needs. Lifting the cap on the number of waivers that may be approved would ensure that every State has this option.

Section 8403. Elimination of Limitation on Number of States That May Be Granted Waivers to Conduct Demonstration Projects on Same Topic

Present Law

No current provision. In the past, HHS has expressed a "preference" for projects that "would test policy alternatives that are unique; that differ in their approach to serving families and children; [and] that differ in significant ways from other proposals."

Explanation of Provision

The Committee recommendations add language to assert that the Secretary of HHS may not refuse to grant a particular waiver of child welfare program rules on the

grounds that the purpose of the waiver or demonstration project is similar to another waiver or demonstration project.

Reason for Change

In the past, the Secretary of HHS has narrowly interpreted the agency's waiver authority. States were denied waiver applications on the grounds that the approach had already been tested, despite the fact that there were no such restrictions imposed in statute. The Committee finds that lessons learned from existing or previous demonstration projects ought to inform future applications on similar topics. Thus, if one State's waiver would benefit children in other States, that waiver should be allowed to apply in those other States.

Section 8404. Elimination of Limitation on Number of Waivers That May Be Granted to a Single State for Demonstration Projects

Present Law

No current provision. In the past, HHS has expressed a "preference" for projects "that are submitted by States that have not previously been approved for a child welfare demonstration project."

Explanation of Provision

The Committee recommendations add language to assert that the Secretary of HHS may not impose a limit on the number of waivers or demonstration projects that a single State is granted.

Reason for Change

In the past, the Secretary of HHS has narrowly interpreted waiver authority. The Committee recommendations make clear that States have the authority to operate more than one waiver at a time. As many waivers are narrowly focused on a particular service need, eligibility category, or local area, it is important that the number of waivers or demonstration projects granted a single State not be arbitrarily limited.

Section 8405. Streamlined Process for Consideration of Amendments to and Extensions of Demonstration Projects Requiring Waivers

Present Law

No provision.

Explanation of Provision

The Committee recommendations add language to require the Secretary of HHS to develop a "streamlined process" of considering amendments or extensions that States propose to their demonstration projects.

Reason for Change

The process for making adjustments or extensions to child welfare demonstration projects in the past has been lengthy and overly bureaucratic. While the Committee finds that the current Administration has made dramatic improvements to the waiver approval process, particularly as it affects waivers of health care provisions, the recommendations would ensure there is an expedited process for child welfare waiver extensions and amendments in the future. The recommendations would not in any way diminish the authority of the Secretary of HHS to raise and require States to address any issues that may affect children's health and safety.

Section 8406. Availability of Reports

Present Law

Section 1130(f)(1) and (2) of the Social Security Act provides that States conducting demonstration projects under a waiver granted by the Secretary of HHS must obtain an evaluation of the project's effectiveness and must provide interim and final evaluation reports to the Secretary of HHS when and in the manner that the Secretary requests.

Explanation of Provision

The Committee recommendations require the Secretary of HHS to make available (to States or other interested parties) any of the demonstration project evaluation reports that it receives from a State and any demonstration project evaluation or report made by the Secretary of HHS, with a focus on information that promotes best practices and program improvements.

Reason for Change

The child welfare waiver authority requires rigorous evaluation and studies of each project. This information can provide important guidance to other States as they consider waiver applications or other improvements to child protection programs. The recommendations require the Secretary to ensure that the findings from these demonstration reviews are made available to other States and interested parties.

Section 8407. Clarification of Eligibility for Foster Care Maintenance Payments and Adoption Assistance

Present Law

Section 472(a) of the Social Security Act provides that a State with a foster care program approved under Title IV-E must make foster care maintenance payments on behalf of eligible children who are removed from their home and placed into foster care. These eligibility criteria include a requirement that the child must have met -- in the home from which he/she was removed -- the income and other eligibility tests necessary to receive aid under the now-defunct AFDC program (as it existed on July 16, 1996). Section 474 provides that States are entitled to receive Federal matching funds at the Federal Medical Annual Percentage (FMAP) rate (ranging from 50 percent to 83 percent based on State's per capita income) for every foster care maintenance payment it makes on behalf of an eligible child.

Section 473(a)(2) of the Social Security Act provides that under one pathway to eligibility for adoption assistance, a special needs adoptee must have been eligible for aid under the AFDC program (as it existed on July 16, 1996) both in the month that the child was removed from the home and placed into foster care and in the month in which the adoption proceedings were initiated.

Explanation of Provision

The Committee recommendations adjust Section 472(a) to clarify that for purposes of determining AFDC eligibility, the home from which the child is removed is always the home that a judge found to be "contrary to the child's welfare" or the home from which the child's parent or legal guardian entered into a voluntary agreement to place the child in foster care.

The clarification is in response to a 2003 decision by the 9th Circuit Court of Appeals, *Rosales v. Thompson*, (321 F.3d. 835) which read the statute to permit eligibility for certain children to be based on their financial and other circumstances in the homes of relatives who were not their parents or legal guardians and which were not the homes that were found unsafe for them. This reading of the statute is contrary to longstanding practice and to the way the eligibility test is understood by the HHS. Under the *Rosales* court's reading of the law, nearly every child in the 9th Circuit (which includes California, Washington, Oregon, Arizona, Montana, Idaho, Nevada, Alaska, and Hawaii) could become eligible for federally matched foster care maintenance payments.

The clarification also adjusts Section 473(a)(2) of the Social Security Act regarding eligibility for adoption assistance to remove a requirement that the child meet the AFDC eligibility criteria (as they existed on July 16, 1996) at the time the adoption proceedings were initiated. This provision is not expected to change the number of special needs adoptees who are found eligible for Federal adoption assistance because, under the AFDC eligibility rules in effect on July 16, 1996, nearly every child who is entering final adoption proceedings would be considered AFDC eligible.

Reason for Change

The Committee recommendations clarify the intent of Congress and restate longstanding eligibility requirements for Federal foster care and adoption assistance. The reading of the statute in both court cases is contrary to longstanding practice and to the way the eligibility test is understood by HHS. This clarification also responds to the President's FY 2006 budget proposal, which includes a provision to "clarify the process for determining Title IV-E eligibility…. [and] amend the statute to come into accord with the Department's long-standing policy" in this respect.

Section 8408. Clarification Regarding Federal Matching of Certain Administrative Costs under the Foster Care Maintenance Payments Program

Present Law

Section 474(a)(3) of the Social Security Act authorizes open-ended Federal matching of eligible State costs associated with the Federal foster care program. These are training costs (matched at 75 percent); data collection costs (matched at 50 percent) and all other administrative costs, including child placement and case management services (matched at 50 percent).

Section 472 provides that a condition of eligibility for Federal foster care maintenance payments is placement of a child in a licensed foster family home or a child care institution (not including “detention facilities” or public institutions that accommodate more than 25 children).

Section 471(a)(15)(B)(i) provides that a State must make reasonable efforts to preserve a family prior to the placement of a child in foster care or to prevent or eliminate the need for removing the child from the child’s home. As part of meeting this duty, States may make certain administrative claims on behalf of children who have not been removed from their homes but are at imminent risk of removal. These children are called “candidates” for Title IV-E foster care.

Explanation of Provision

The Committee recommendations specify that claims for Federal matching funds based on training, data collection, case management, and other administrative costs on behalf of otherwise eligible children who are placed in settings ineligible for Title IV-E funding would be available in only two circumstances:

(1) In the case of a child who is placed in the home of a relative who is not a licensed foster care provider, for 12 months or as long as it takes a State to normally license a foster family home (whichever is shorter) and;

(2) In the case of a child who is moved from an ineligible facility (e.g. juvenile detention center) to a licensed foster family home or an eligible child care institution, for no longer than 30 calendar days.

The Committee recommendations specify that in the case of a child who is at imminent risk of removal to foster care the State may only make administrative claims if:

(1) Reasonable efforts are being made to prevent the removal of the child from the home or (if necessary) to pursue the removal; and

(2) Not less than every 6 months the State determines that the child continues to be at imminent risk of removal.

Reason for Change

The Committee recommendations clarify the circumstances under which States may claim Federal administrative funds for certain children in or at risk of being placed in foster care. This change is needed to ensure that States cannot continue to place a child in an unlicensed setting for an indefinite period of time while the State claims the child is a "candidate" for Federal foster care payments and thus the State is able to submit claims for reimbursement of its administrative costs from Federal resources. During this time, such children remain in the unlicensed setting, which longstanding Federal policy rightly discourages and seeks to minimize. The proposal does not reduce Federal foster care benefits to families because the funds in question in this case do not support payments to families. Instead, the proposal addresses under what circumstance and how much Federal administrative funding States may claim to operate their foster care programs.

Section 8409. Technical Correction

Present Law

Section 1130(b)(1) of the Social Security Act states that the Secretary of HHS may not waive compliance with certain provisions under Title IV-B and IV-E, including those provisions under "Section 422(b)(9)."

Explanation of Provision

The Committee recommendations change this reference to Section 422(b)(10). This technical correction is necessary because the cited language was renumbered in 1997 (P.L. 105-33) without the necessary conforming amendment to Section 1130 of the Social Security Act.

Reason for Change

Technical correction.

Section 8410. Technical Correction

Present Law

Section 470 of the Social Security Act states such sum as may be necessary shall be available "For the purpose of enabling each State to provide, in appropriate cases, foster care and transitional independent living programs for children who otherwise would have been eligible for assistance under the State's plan approved under part A (as such plan was in effect on June 1, 1995)."

Explanation of Provision

The Committee recommendations change the date of this reference to July 16, 1996. This technical correction is necessary to ensure this provision is parallel to other references in Title IV-E of the Social Security Act to the date of enactment of the Personal Responsibility and Work Opportunity Act (P.L. 104-193) which replaced AFDC with TANF.

Reason for Change

This is a technical and conforming date change.

SUBTITLE E. SUPPLEMENTAL SECURITY INCOME

Section 8501. Review of State Agency Blindness and Disability Determinations

Present Law

No provision regarding SSI.

To improve the accuracy and integrity of the program by reducing improper payments, the Social Security Disability Insurance (SSDI) program currently requires reviews of State agency favorable decisions before benefits are paid.

Explanation of Provision

The Commissioner of Social Security is required to review determinations made by State agencies that adult applicants became blind or disabled as of a specified onset date. The Commissioner is also required to review at least 20 percent of determinations made in FY 2006, 40 percent of those made in FY 2007 and at least 50 percent of those made in FY 2008 or thereafter.

Reason for Change

Under current law, the Commissioner of Social Security is required to review certain eligibility determinations made for Social Security disability insurance program claims that are made by State agencies. This practice ensures consistent and uniform application of Social Security Administration policies. By expanding this review provision to a similar share of SSI adult disability cases, the practice would be extended to help ensure that only beneficiaries disabled under the law receive SSI benefits. Also, the extension of this current SSDI program practice to the SSI program will make the determination of eligibility for these disability programs more consistent.

Section 8502. Payment of Certain Lump Sum Benefits in Installments under the Supplemental Security Income Program

Present Law

If a beneficiary is due a past due payment of benefits and the amount of this payment, less any reimbursement to a State for interim assistance and any attorney's fees, is greater than the product of 12 times the maximum monthly benefit payable to an individual, or if applicable, an individual and spouse, then this payment must be made in not more than 3 installments made at 6 month intervals.

This provision does not apply in cases in which a beneficiary is determined to have an impairment likely to result in death within 12 months, or in cases in which a person is not currently eligible for benefits and is not likely to become eligible for benefits in the next 12 months.

Special exceptions regarding the amount of installments may be made for individuals who have outstanding debt or current or expected expenses attributable to food, clothing, shelter or medical expenses not covered by other government programs. Installments that would occur after the unexpected death of a recipient may be paid to a surviving spouse or in the case of a child to his or her parent.

Explanation of Provision

The Committee recommendations revise the rules for payment of past due monthly benefits to provide that if such a payment, less any reimbursement to a State for interim assistance and any attorney's fees, is greater than the product of 3 times the maximum monthly benefit payable to an individual, or if applicable, an individual and spouse, then this payment must be made in not more than 3 installments made at 6 month intervals.

The Committee recommendations maintain all other provisions of current law, including exceptions related to individuals with especially serious conditions, certain expenses, and surviving spouses or parents.

Reason for Change

The Committee recommendations provide for improved program consistency in the distribution of lump sum SSI benefit payments. Instead of maintaining current law provisions at levels at which, if unspent, lump sums of up to approximately $7,200 could eventually threaten an individual's continued eligibility for SSI benefits, the Committee recommendations provide a lower threshold triggering the provision of more lump sum payments in installments. This lower threshold of approximately $1,800 more nearly approximates the SSI program's current resources limit of $2,000. This change will alter the timing of when recipients receive the benefits, but will not affect the total amount of benefits paid. This timing change may promote more sound spending choices on the part of program beneficiaries, and results in modest program savings.

SUBTITLE F. STATE AND LOCAL FLEXIBILITY

Section 8601. Program Coordination Demonstration Projects

Present Law

No provision.

Explanation of Provision

Purpose: To establish a “program of demonstration projects” in States (or portions of States) that would coordinate multiple public assistance, workforce development, and other programs so as to support working individuals and families, help families escape welfare dependency, promote child well-being, or help build stronger families. Projects would use innovative approaches to strengthen service systems and provide more coordinated and effective service delivery.

New authority: Establishes broad new authority that would, subject to limits discussed below, allow the heads of Federal agencies to waive statutory and regulatory requirements of specified covered programs (see below) at the request of State or sub-State entities.

Requests/applications for demonstration project waivers under the new authority would contain, among other items: (1) a description and justification of the project for which the waivers are being requested (including how it is expected to improve achievement of the included programs’ purposes from the standpoint of quality and cost-effectiveness and the performance objectives of the project), (2) information and

assurances necessary to establish that the project will meet cost-neutrality requirements (see below), and (3) assurance that the applicant agencies will conduct ongoing and final project evaluations and make interim and final project reports.

Covered ("qualified") programs: Programs/ activities for which waivers could be granted using the new authority are: TANF (including mandatory child care) under Title IV-A of the Social Security Act and the SSBG (Title XX of the Social Security Act).

Federal approval of waiver requests: In general, the head of a Federal agency with responsibility for a program/activity for which a waiver is requested may approve a waiver/demonstration application and may waive any requirement (subject to some limits, see below) applicable to the program to the extent necessary and appropriate for the conduct of the proposed demonstration. To approve a project and waive requirements, a Federal agency head must determine that the project: (1) has a reasonable likelihood of achieving the objectives of the programs included in the project, (2) may reasonably be expected to meet cost-neutrality requirements (see below), and (3) includes 2 or more covered programs.

Approval is required of each Federal agency head with responsibility for a program covered by the waiver/demonstration request.

If a demonstration/waiver request is not disapproved within 90 days of receipt, it would be deemed approved. However, the deadline could be extended if the Federal agency asks for additional information. Projects may not be approved for a period longer than 5 years.

General limitations on waivers: Federal agencies may not use the new authority to waive provisions of law relating to:

1. Civil rights or prohibition of discrimination;
2. The purposes or goals of any program;
3. Maintenance of effort requirements (e.g., provisions that require States or other entities to maintain a certain level of spending);
4. Health or safety;
5. Labor standards under the Fair Labor Standards Act of 1938; or
6. Environmental protection.

Reports: Each Federal agency would be required to submit reports of applications for waivers/demonstrations under the new authority to the congressional Committees with jurisdiction (including the agency's decision and the reasons for approving or denying the application).

Each Federal agency would be required to provide annual reports to Congress on demonstrations approved under the new authority (including how well each project is improving program achievement from the standpoint of quality and cost-effectiveness and recommendations for program modifications based on project outcomes).

Cost-neutrality requirement: For any fiscal year, total Federal payments for affected programs in a State in which a demonstration project under the new authority is being conducted may not exceed the estimated amount that would have been paid if the project had not been conducted. (This allows "savings" in one program to be offset by new "costs" in another program.) The determination would be made by the Federal Office of Management and Budget (OMB).

Upon request by an applicant entity, the OMB would be permitted (at its discretion) to adjust the annual cost-neutrality requirement so that cost-neutrality is measured over a period longer than 1 year, but no more than 5 years.

Reason for Change

Waivers under the AFDC program led to important information about how cash welfare programs could be operated in more efficient and effective ways that benefited low-income families. The Committee recommendations seek to offer added opportunities for States to integrate other programs that serve similar populations, but frequently have conflicting or incongruous requirements. Sufficient protections are included in the recommendations to ensure that fundamental program purposes are not compromised by demonstration projects, and that various civil rights, health and safety, and labor protections may not be waived. These demonstrations could yield important information for other States and the Nation on how programs serving low-income families may be improved in the future.

SUBTITLE G. REPEAL OF CONTINUED DUMPING AND SUBSIDY OFFSET

Section 8701. Repeal of Continued Dumping and Subsidy Offset

Present Law

The CDSOA, set forth at section 754 of the Tariff Act of 1930, 19 U.S.C. 1675c, requires the annual distribution of collected antidumping and countervailing duties to affected domestic producers for qualifying expenditures enumerated in the statute. The CDSOA requires the Bureau of Customs and Border Protection to create a special account for each antidumping and countervailing duty order currently in effect and to deposit collected duties into the respective account for future disbursement; funds in the account are available for distribution to any firm that was a petitioner or interested party publicly in support of the petition in the underlying antidumping or countervailing duty proceeding and that remains in operation. Distributions are to be made no later than 60 days after the first day of a fiscal year from duties assessed during the preceding fiscal year. Approximately $1 billion has been distributed under the CDSOA from FY2001 to FY2004. The World Trade Organization (WTO) has ruled that the statute violates U.S. obligations under the WTO Agreement on Antidumping and the Agreement on Subsidies

and Countervailing Measures; panel and Appellate Body reports in the case were adopted by the WTO Dispute Settlement Body January 27, 2003.

Explanation of Provision

This provision repeals the statute and the reference to it in the table of contents for Title VII of the Tariff Act. All amounts remaining in any special account established under the statute, as in effect on the day before the date of enactment, will be deposited into the general fund of the Treasury.

Reason for Change

The GAO analyzed the operation of CDSOA and found that nearly half of the $1 billion in CDSOA payments made to date have gone to only five companies, three of which are related. Moreover, two-thirds of all payments have gone to only three industries: bearings, candles, and steel. The GAO report shows that CDSOA does not achieve its stated goal of strengthening trade relief to injured U.S. producers because it is not available to all companies; many domestic producers impacted by dumped or subsidized imports are ineligible to receive funds because they did not formally and publicly support the petition that resulted in the duties. The GAO study also shows that CDSOA provides incentives for companies to inflate claims. Because funds are disbursed on a pro-rata basis to companies eligible under each separate order, the biggest companies with the most qualifying expenditures receive the most money. Claims for qualifying expenditures in FY 2004 were just under $2 trillion dollars. It is obvious that claims are inflated, but there is no penalty for excessive claims. Moreover, the statute does not require verification. Accordingly, the GAO study provides objective analysis regarding the ineffective operation of CDSOA and the extreme misuse of taxpayer dollars.

In addition, eleven countries successfully challenged CDSOA in a WTO dispute settlement proceeding. In late November 2004, the European Union, Japan, Korea, India, Brazil, Mexico, Canada, and Chile received formal WTO authorization to retaliate up to $134 million. On May 1, 2005, the EU imposed $28 million and Canada imposed $14 million. Mexico imposed $20.9 million in retaliation on August 18, 2005, and Japan applied $52 million in retaliation on September 1, 2005. Thus far, increased tariffs have been applied to a variety of U.S. exports, including: wine, dairy, textiles and apparel, paper products, frozen corn, sports footwear, hand drills, crane lorries, eyeglass frames, plastic furniture, photocopying machines, prefabricated buildings, mobile homes, ball point pens, chewing gum, live swine, oysters, certain cigarettes, certain fish, ball bearings, flat rolled steel, navigational instruments, machinery accessories, printing machines, forklift trucks, and industrial belts. Congressional action is required to bring the United States into compliance with the WTO determination, thereby ending the retaliation.

SUBTITLE H. EFFECTIVE DATE

Section 8801. Effective Date

Present Law

TANF State plan requirements and block grants took effect July 1, 1997, or earlier at State option.

Explanation of Provision

Unless otherwise specified, provisions shall be effective as of October 1, 2005. If the Secretary determines that State legislation is required to meet State plan requirements under Title IV of the Social Security Act, more time is allowed (3 months after the first day of the first calendar quarter following the close of the first regular session of the legislature that began after October 1, 2005).

Reason for Change

The Committee recommendations provide for the effective date of changes while allowing States ample time to make any necessary changes to State laws.

Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee, based on public hearing testimony and information from the Administration and the GAO, concluded that it is appropriate and timely to consider the bill as reported.

The Subcommittee on Human Resources held a hearing on February 10, 2005 on welfare reform reauthorization proposals and related programs. Various witnesses testified about the TANF program, including recommendations for further reforms to promote additional work by parents and self-sufficiency for families. In addition, the Subcommittee heard testimony about the need for States to help every family they serve achieve the greatest degree of self-sufficiency and find effective ways to improve child well-being through programs aimed at promoting healthy marriages and encouraging responsible fatherhood. The Subcommittee received testimony about other programs under the Committee's Human Resources jurisdiction, including child support enforcement, foster care and adoption, and Supplemental Security Income, from a wide variety of witnesses.

The Subcommittee on Human Resources held a hearing on June 9, 2005 on foster care financing issues.

The Subcommittee on Human Resources held a hearing on July 14, 2005 on welfare and work data. Using data from the National Directory of New Hires, HHS has produced material that suggests there are thousands more current and former welfare recipients working than States have been reporting. This new information has important implications for the next stage of welfare reform, and suggests that it is appropriate for Federal policy to expect and support more work among parents on welfare.

The GAO has confirmed that States use an array of Federal and State funds to provide a wide range of benefits and services that can support the work efforts of low-income families, although the types of supports and coverage of the eligible population vary among the States and sometimes within States. These findings bolster the justification for reauthorizing the TANF block grant program.

For at least 10 years, GAO has found that States could improve take steps to improve their recovery of the Federal government's share of child support program costs. To defray some of these costs the GAO has recommended that States be mandated to charge a minimum service fee on successful child support collections for non-TANF families.

In a June 30, 2005 report to Chairman Wally Herger of the Subcommittee on Human Resources, GAO provided background about administrative expenditures and Federal matching rates for selected programs including child support enforcement, foster care, adoption assistance, child care, Medicaid, and food stamps. In a subsequent letter to

Chairman Herger on September 9, 2005, GAO further explained that, in terms of child support program costs, "the Federal government's share represented 88 percent of the net costs for the child support enforcement program for fiscal year 2004," among other data.

Statement of General Performance Goals and Objectives

In compliance with clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee states that the Entitlement Reconciliation Recommendations for Fiscal Year 2006 reauthorize and make improvements to the TANF program and other programs within the Committee's jurisdiction. Through reporting requirements in the legislation, Congress and the Administration will be able to assess State achievement of specified TANF program goals of: (1) providing assistance and services to needy families; (2) ending dependence of needy families on government benefits and reducing poverty by promoting job preparation, work and marriage; (3) reducing out-of-wedlock pregnancies; and (4) encouraging the formation and maintenance of healthy, married families, among other purposes.

Constitutional Authority Statement

With respect to clause 3(d)(1) of the rule XIII of the Rules of the House of Representatives (relating to Constitutional Authority), the Committee states that the Committee's action in reporting this bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises. . . "), and from the 16th Amendment to the Constitution.