Congress of the United States

House of Representatives

COMMITTEE ON WAYS AND MEANS

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April 29, 2002

To: Members, Committee on Ways and Means

Fr: Bill Thomas, Chairman

Re: Human Resources Subcommittee Report

The Subcommittee on Human Resources marked up H.R. 4090, the "Personal Responsibility, Work, and Family Promotion Act of 2002," on April 28, 2002. H.R. 4090 was ordered favorably reported to the Full Committee, as amended, by a recorded vote of 6-4.

Pursuant to Committee Rule 11, Subcommittee Chairman Herger submitted a Subcommittee Report to the Full Committee on Friday, April 26, 2002. Attached is a copy of the Subcommittee Report.

Congress of the United States
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COMMITTEE ON WAYS AND MEANS
WASHINGTON, DC 20515

SUBCOMMITTEE ON HUMAN RESOURCES

April 26, 2002

The Honorable William M. Thomas
Chairman, Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

On April 18, 2002 the Subcommittee on Human Resources ordered favorably reported to the Full Committee, H.R. 4090, the "Personal Responsibility, Work, and Family Promotion Act of 2002," as amended, by a roll call vote of 6-4.

The Subcommittee proposal extends and improves the Temporary Assistance for Needy Families program through fiscal year 2007, among other purposes.

Transmitted herein, in accordance with Committee Rule 11, is a report containing a comparison with present law, a section-by-section analysis of the proposed changes, and a section-by-section justification.

Sincerely,

Wally

Wally Herger
Chairman

Committee on Ways and Means
Subcommittee on Human Resources
Subcommittee Report on H.R. 4090
April 26, 2002

Purpose and Summary

The "Personal Responsibility, Work, and Family Promotion Act of 2002," (H.R. 4090) reauthorizes and makes 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" (the 1996 welfare reform law), among other purposes. TANF is the primary Federal program of cash assistance for needy families.

The primary changes reflected in H.R. 4090 include: (1) maintaining current record Federal funding for TANF and Child Care and Development Block Grant (CCDBG) programs; (2) increasing individual and State work requirements while adding flexibility for States to satisfy these requirements; (3) increasing States' flexibility in providing child care for low-income working families; (4) encouraging healthy marriage and two-parent married families by directing $300 million in Federal and State funds to encourage strong families and healthy marriages, among other provisions; (5) strengthening child support enforcement; and (6) reinforcing the importance of fathers in the lives of children and families by providing $20 million in new grant funding to promote responsible fatherhood, among other changes.

Subcommittee Action

On April 18, 2002, the Subcommittee on Human Resources ordered favorably reported, with amendment, to the full Committee H.R. 4090, the "Personal Responsibility, Work, and Family Promotion Act of 2002," by a 6-4 vote with a quorum present.

The Subcommittee on Human Resources held a hearing on April 11, 2002 to receive comments on the welfare reform reauthorization proposals. Testimony at the hearing was presented by the Administration and a total of 48 other program administrators, advocates, researchers, and Members of the U.S. House of Representatives. On April 2, 2002, the Subcommittee conducted a field hearing in University Center, Michigan on Welfare Reform Success, which included testimony from Michigan Governor John Engler, a welfare program administrator, former welfare recipients, and an employer who has hired a number of former recipients to work for his company. On March 7, 2002, the Subcommittee held a hearing on Implementation of Welfare Reform Work Requirements and Time Limits. Several hearings also were held earlier in the 107th Congress on welfare reform topics including Teen Pregnancy Prevention, Child Support and Fatherhood Proposals, Welfare and Marriage Issues, and

Effects of the 1996 Welfare Reform Law. In the 106th Congress, the Subcommittee held a number of hearings on welfare issues: April 27, 1999 on Fatherhood (Serial 106-41); May 27, 1999 on the Effects of Welfare Reform (Serial 106-9); November 15, 1999 field hearing in Erie, Pennsylvania on Welfare Reform (Serial 106-47); February 14, 2000 field hearing in Baltimore, Maryland on Welfare Reform (Serial 106-87); February 27, 2000 on the Child Protection Review System (Serial 106-84); March 23, 2000 on Child Protection Issues (Serial 106-63); and July 20, 2000 on Increasing State Flexibility in Use of Federal Child Protection Funds (Serial 106-98). Throughout the hearings, testimony was presented by Administration officials, academic witnesses, researchers, program administrators, and advocacy groups.

Analysis of Legislation, Justification, and Comparison with Present Law

Findings

Present Law

P.L. 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), 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 Subcommittee bill includes a series of findings related to: (1) the success of the 1996 law in moving families from welfare to work and reducing child poverty, and need for continued efforts in these areas; (2) the progress made by the Nation in reducing teen pregnancy and births, in slowing increases in nonmarital births, and in improving child support collections and paternity establishment; (3) the flexibility provided by the 1996 law for States to develop innovative programs to encourage work over welfare and the formation of two-parent families; and (4) 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 the Subcommittee bill) 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 Subcommittee bill. The findings focus on the bill's 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.

TITLE I. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

Section 101. 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

Modifies the purposes of the TANF program as follows: 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 parents on government benefits; (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 Subcommittee bill provides 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 Subcommittee notes that a key factor in children's well-being is whether they are raised in families with incomes above poverty. In this respect the 1996 welfare reform law has achieved remarkable results, contributing to the lifting of nearly three 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 legislation also modifies the fourth program purpose to clarify the goal of encouraging the formation and maintenance of healthy, married two-parent 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 legislation reinforces that a key TANF program purpose includes encouraging responsible fatherhood, which is essential to the healthy upbringing of children. (Section 120 of the legislation also provides for a new "responsible fatherhood" program authorizing grants of up to $20 million per year for this purpose.)

Section 102. Family Assistance Grants

Present Law

Provides capped grants (entitlements to States). Basic grants are computed from Federal expenditures for TANF's predecessor programs during fiscal years 1992 through 1995. Basic grants were frozen for fiscal years 1997 through 2002. Nationally, annual grants total $16.5 billion for the States and the District of Columbia (D.C.). Additional amounts are provided for the territories.

Explanation of Provision

Retains basic block grants, and extends current funding levels for each of fiscal years 2003 through 2007. Appropriates $16.5 billion annually for block grants to the States and D.C. and additional amounts for the territories (plus some matching grants for the territories).

Reason for Change

The Subcommittee legislation reauthorizes 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), caseloads have fallen by nearly 60 percent. A number of States individually and collectively continue to have significant unspent TANF balances, totaling $7.4 billion as of September 2001, according to a March 21, 2002 report by the Center on Budget and Policy Priorities. States may use such unspent balances for additional needs in the years ahead, and other provisions in the Subcommittee legislation (see Section 107, on use of funds) provide States significant new flexibility in the use of such unspent or "carryover" funds, including to provide additional child care and other work supports as appropriate.

Section 103. Promotion of Family Formation and Healthy Marriage

Present Law

No provision for special marriage promotion grants, but law provides bonuses totaling $100 million per year to a maximum of five States each year for reduction in out-of-wedlock births.

Explanation of Provision

Requires States to express in their annual State plans how they would operate programs to encourage equitable treatment of married, two-parent families. Appropriates $100 million annually for each of fiscal years 2003 through 2007 for 50 percent competitive matching grants to States, territories, and tribal organizations for programs to promote healthy, married two-parent families and reduce out-of-wedlock births. Grants may be used for advertising campaigns, education in high schools, marriage skills programs for non-married pregnant women and expectant fathers, pre-marital education, marriage and relationship skills enhancement 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. These grants replace current law out-of-wedlock bonus (maximum of $100 million annually) grants, which are repealed.

Provides that State expenditures on non-TANF-eligible families to reduce out-of-wedlock births and promote marriage and responsible fatherhood (that is, on TANF purposes 3 and 4) may be counted toward required "maintenance-of-effort" State spending. In a related section, the bill further provides that Federal TANF funds used for marriage promotion may be treated as State matching funds for marriage promotion grants (See Section 111, Maintenance of Effort).

Reason for Change

In keeping with the TANF program purpose of encouraging the formation and maintenance of healthy, two-parent married families, the Subcommittee legislation refocuses current out-of-wedlock birth reduction "bonus" funds on programs and activities designed to encourage the formation of healthy marriages and 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 and in keeping with the overall TANF program purposes, the Subcommittee legislation seeks to encourage more innovation in

this area by making available additional funds to States interested in operating such programs.

Section 104. Supplemental Grant for Population Increases in Certain States

Present Law

Supplemental grants are provided to up to 17 States with low historic Federal grants per poor person and/or high population growth for fiscal years 1998 through 2001 (extended through September 30, 2002 at fiscal year 2001 funding level by P.L. 107-147). Grants grew each year, from $79 million in fiscal year 1998 to $319 million in each of fiscal years 2001 and 2002.

Explanation of Provision

Annual supplemental grants are reauthorized for each year through fiscal year 2006, at the fiscal year 2001/ 2002 level of $319 million per year.

Reason for Change

The Subcommittee legislation provides for the continuation of the current TANF supplemental grants program, with funds remaining at the current (fiscal year 2001 and 2002) level and for each currently-eligible State for each of the next four fiscal years, 2003 through 2006. As under the 1996 welfare reform law, which authorized the TANF block grant through fiscal year 2002 yet provided for supplemental grants through only fiscal year 2001, the authority for supplemental grants under the Subcommittee legislation would expire one year prior to that of the TANF block grant. This decision does not reflect on the underlying merits of TANF supplemental grants, but simply replicates the 1996 law treatment of supplemental grants in the final year of the block grant authorization period. The Subcommittee notes that Congress recently passed legislation (P.L. 107-147) extending supplemental grants for fiscal year 2002, and that a future Congress may make a similar decision to extend supplemental grants for fiscal year 2007.

Section 105. Bonus to Reward Employment Achievement

Present Law

A "high performance bonus" of $200 million per year is provided to States. The bonus is awarded to States that have achieved key TANF goals, based on a formula developed by the Secretary of Health and Human Services (HHS) in consultation with the States. For fiscal year 2002 performance, the formula includes employment and family formation outcomes, child care affordability, and coverage in certain government programs.

Explanation of Provision

The high performance bonus is replaced with a bonus to reward employment achievement (annual average of $100 million appropriated for five years). The bonus is to be based on absolute and relative progress towards goals of job entry, job retention, and increased earnings. The formula for providing these bonus funds is to be developed by HHS in consultation with the National Governors Association and the American Public Human Services Association.

Reason for Change

The Subcommittee legislation includes changes that would focus current high performance bonus funds more closely on State success in helping welfare recipients achieve employment entry, job retention, and increased earnings. State performance would be measured both on an absolute basis and relative to prior State performance, permitting all States to qualify for funds provided their performance has improved in these areas. This fund also highlights the Subcommittee's interest in encouraging welfare reform policies that assist recipients not only in leaving welfare and entering employment, but also in staying on the job and moving up the employment ladder.

Section 106. Contingency Fund

Present Law

Up to $2 billion over fiscal years 1997 through 2001 (extended through September 30, 2002 by P.L. 107-147) is authorized to assist States in the event of a serious economic downturn. To qualify for contingency funds, States must spend under the TANF program a sum of their own dollars equal to their pre-TANF spending (i.e. satisfy a 100 percent "Maintenance of Effort" [MOE] requirement).

Explanation of Provision

The Subcommittee bill reestablishes a $2 billion contingency fund in fiscal years 2003 through 2007 and permits States to count child care spending and all spending in separate State programs toward the MOE requirement for accessing the contingency fund. The bill also simplifies the annual reconciliation process under current law and adjusts the food stamp "needy State" trigger based on any policy changes made after passage of the 1996 welfare reform law.

Reason for Change

In order to assist States demonstrating increased needs during difficult economic times, the Subcommittee legislation extends and improves the current $2 billion Federal TANF contingency fund program created under the 1996 welfare reform law. This fund,

whose authorization would currently expire at the end of fiscal year 2002, would be extended through fiscal year 2007.

Before permitting access to money from this fund, current law expects States to satisfy a 100 percent MOE 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 Subcommittee legislation to add State spending on child care - - which has risen since the 1996 welfare reform law - - which increases the likelihood that States would satisfy the 100 percent MOE requirement and access Federal contingency funds.

The Subcommittee legislation also includes 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 107. Use of Funds

Present Law

States may use funds in any manner reasonably calculated to accomplish the TANF purpose (or in any manner that they were authorized to use pre-TANF funds).

The State plan must indicate whether the State intends to treat families moving into the State differently from others.

States may transfer up to 30 percent of TANF funds to the Child Care and Development Block Grant (CCDBG) and the Title XX Social Services Block Grant (SSBG). Specifies that a maximum of 10 percent of total transfers may go to SSBG in fiscal year 2002, and 4.25 percent per fiscal years thereafter. Also, States may 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.

Amounts may be spent without fiscal year limit for "assistance" (chiefly ongoing cash aid). For other benefits and services (i.e. "nonassistance"), amounts must be obligated in the year of award and spent in the following year.

Explanation of Provision

States may use funds for any purposes or activities reasonably calculated to accomplish the purpose of TANF (or permitted under pre-TANF rules).

The Subcommittee bill strikes a provision about treatment of families migrating into the State, which subsequent to the 1996 welfare reform law was found unconstitutional by the Supreme Court.

The overall ceiling on transfers from the TANF block grant is increased to 50 percent. The limit on TANF transfers to SSBG is increased to 10 percent (the original limit established in the 1996 law) in each of fiscal years 2003 through 2007.

The Subcommittee bill also allows States to use carry-over funds for any benefit or service without fiscal year limitation and permits 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 TANF programs are included in the Subcommittee bill. The increase in TANF funds that may be transferred to the child care and Social Services Block Grants 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 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. This legislation clarifies that carryover funds may be spent on any of the States' TANF programs, including child care and other services as well as cash assistance.

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 Subcommittee expects the Secretary of HHS to provide additional guidance to States for purposes of their reporting contingency reserves in a uniform manner.

Section 108. Repeal of Federal Loan for State Welfare Programs

Present Law

A $1.7 billion revolving and interest-bearing Federal loan fund for State welfare programs is authorized.

Explanation of Provision

The Subcommittee legislation repeals loan fund and makes conforming amendments to reflect the repeal in related program provisions.

Reason for Change

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

Section 109. 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 assistance. However, this requirement is not enforced by a specific penalty.

States, at their own option, may develop individual responsibility plans providing for an initial assessment of the skills, prior work experience, and employability of each recipient 18 or older or within 30 days of initial receipt of welfare benefits.

TANF work participation rates are enforced by a penalty on States of the loss of five percent of the State's TANF block grant for first year of violation; the penalty may be reduced for the degree of violation. Increasing penalties are specified for subsequent years of violation. The State must replace the amount of Federal penalty funds lost with its own funds.

Explanation of Provision

The current State plan provision expecting engagement in work within 24 months of initial welfare receipt is repealed and replaced with a provision requiring parents in families receiving assistance to participate in work or alternative self-sufficiency activities, as described below.

The current State option to develop individual responsibility plans is eliminated. Instead, States are required to develop family self-sufficiency plans for each family with a work-eligible individual within 60 days of opening a case (within 12 months for families enrolled at the time of enactment). States face a penalty for failure to establish self-sufficiency plans as part of the current penalty for failure to satisfy State work participation rates. These penalties may be reduced based on the severity of the violation, as under current law. Self-sufficiency plans are to specify work and other activities designed to assist the family in achieving their maximum degree of self-sufficiency, among other purposes. States are to monitor participation in such activities and family progress, and revise plans as appropriate.

Reason for Change

Universal engagement is a centerpiece of the Subcommittee's legislation. Currently, 14 States do not require recipients to engage in any activities during their first 24 to 30 months of receiving benefits. The Subcommittee believes this is unfair to beneficiaries given time limits on benefits that mean up to half of their available Federal benefits could expire before they begin preparing 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 legislation.

Section 110. Work Participation Requirements

Present Law

States must have a specified percentage of their adult recipients engaged in creditable work activities. In fiscal year 2002 the participation standard is 50 percent for all families (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 fiscal year 1995 level (not attributable to policy changes), the work participation standard is reduced by one percentage point.

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. There are 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 for purposes of satisfying the State work participation rate.

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.

For a single parent caring for a child under age 6, 20 hours of participation satisfies the standard.

States may exempt the parent of a child under age one from work and exclude them from the calculation of work participation rates.

Teen parents are deemed to meet the weekly hour participation standard 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.

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 (but excluding families subject that month to a penalty for work refusal, provided they have not been penalized for more than three months) and excluding families with children under one, if the State exempts them from work. Except for teen parents, single parents with a child under six, and participants in a tribal program with different hour requirements, families must work an average of at least 30 hours weekly to be counted as working.

States are prohibited from sanctioning a single parent caring for a child under age 6 based on refusal to participate in work because of the unavailability of appropriate, suitable and affordable child care.

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 fiscal year 2003 the standard is 50 percent, and it raises by 5 percentage points each subsequent fiscal year until reaching 70 percent in fiscal year 2007.

The separate standard for two-parent families is eliminated.

The Subcommittee bill updates the current credit for net caseload reduction (thus reducing the effective State work participation rate target for States with falling caseloads) by measuring caseload reduction from a moving base year rather than from fiscal year 1995. For fiscal year 2003, the credit is based on the percent decline in the caseload from fiscal year 1996; for fiscal year 2004, the base is fiscal year 1998; for fiscal year 2005, fiscal year 2001. Thereafter, the base rises each year by one year (thus, the credit for fiscal year 2007 is based on the caseload decline from fiscal year 2003).

To receive full credit towards the work participation rate, States must engage families with adult recipients in a direct work activity or alternative self-sufficiency activity for an average of 40 hours weekly–of which 24 hours must be in one of the "direct work" activities listed in the law, which include: unsubsidized jobs, subsidized private jobs, subsidized public jobs, on-the-job training, supervised work experience, and supervised community service. Once a family achieves 24 hours of direct work, States

may define any other activity as countable (up to 16 hours per week) so long as it leads to self-sufficiency and is consistent with the purposes of TANF.

For three consecutive months within a 24 month period of welfare receipt, 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 bill are substance abuse counseling or treatment, rehabilitation treatment and services, work-related education or training directly at enabling the family member for work, and job search or job readiness assistance).

States may exclude from the calculation of work participation rates families in which the youngest child is under age 1. They also may exclude from work participation rates all families during their first month of assistance and families in a tribal program.

Teen parents are deemed to satisfy the 40-hour weekly work rule 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.

As under current law, certain sanctioned families are excluded from counted families used to determine participation rates. In addition, as noted above, States have the option to exclude families in the first month of assistance, tribal families, and single parents with an infant. The monthly participation rate is (a) the total number of countable hours, divided by (b) 160 times the number of counted families for the month. This means that a State would receive full credit for a family participating in work and other activities for 40 hours per week for four weeks per month, or on an annual basis, for 48 weeks per year.

In general, States must reduce the amount of assistance payable to the family pro-rata or terminate assistance if the individual refuses, without good cause, to engage in work or in activities under a family sufficiency plan. If the individual refuses to engage in work or otherwise participate in activities expected in accordance with their self-sufficiency plan for at least two consecutive months, the State must end all cash payments to the family for at least one month and until the individual complies with work and related self-sufficiency activities.

Reason for Change

As has been noted above, the Subcommittee believes that too many recipients remain on welfare without engaging in activities to prepare them for work. The legislation provides 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% of the States' adult recipients in 40 hours of activities, including 24 hours of direct work and 16 hours of unspecified activities, for 48 weeks each year.

States therefore would be provided partial credit toward their work participation

rate requirement for individuals who perform as few as 24 hours per week of 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 legislation would 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 40 hours per week standard.

The legislation would 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 legislation, States would continue to be given credit for caseload declines, but the baseline year for determining the percentage decline and thus the credit would be recalibrated as follows: in fiscal year 2002, States would be given credit for the percentage of caseload decline between fiscal years 1995 and 2001 (current law); in 2003, States would be credited for declines between 1996 and 2002; in 2004, between 1998 and 2003; in 2005, between 2001 and 2004; in 2006, between 2002 and 2005; and in 2007, between 2003 and 2006. Thus if the State's welfare caseload declined by 30 percent between fiscal years 2003 and 2006, its "real" work participation rate requirement for the remaining caseload in fiscal year 2007 would be 40 percent, given the updated credit for net caseload reduction.

In order to stress the importance of work, the legislation would 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.

Section 111. Maintenance of Effort

Present Law

Establishes a maintenance-of-effort (MOE) requirement that States spend at least 75 percent of what was spent from State funding in fiscal year1994 on programs replaced by TANF. Nationally, this 75 percent level equals $10.4 billion. MOE rises to 80 percent if State fails a work participation standard.

Explanation of Provision

Continues existing MOE requirement through fiscal year 2007. Provides that Federal TANF funds used for marriage promotion may be treated as State matching funds for marriage promotion grants, but that any such funds so used may not be counted towards State MOE requirements.

Reason for Change

The Subcommittee legislation includes a conforming change related to State spending on activities to prevent out-of-wedlock childbearing and promote healthy marriages. Regulations have interpreted that State MOE funds may only be spent for such purposes on TANF-eligible families, even though Federal TANF funds may be spent on a broader range of families. Activities aimed at preventing dependence that cannot reasonably be limited to low-income families since they frequently consist of public awareness campaigns or education programs broadly available in the community. This provision makes clear that States may use State and Federal TANF funds for these purposes for both needy families and others, including those who might become eligible in the absence of such interventions.

Section 112. 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 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, indicate 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 would require a parent who has received TANF for two 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 would administer and supervise TANF. Further, 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 when appropriate.

The law also authorizes States 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. This provision stipulates that any religious organization with a contract to provide welfare services shall retain independence from government and requires States

to provide an alternative provider for a beneficiary who objects to the religious character of the designated organization.

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

Explanation of Provision

The legislation adds a requirement that each State outline how it would encourage equitable treatment of married, two-parent families and describe any strategies the State is undertaking to deal with: (1) employment retention and advancement for recipients; (2) efforts to reduce teen pregnancy; (3) services for struggling and noncompliant families and for clients with special problems; and (4) 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 legislation strikes a provision requiring community service after two months of benefits.

The legislation strikes a 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 each of TANF's four goals.

States are required to describe in their State plans what strategies the State has in place to engage faith-based organizations in the provision of services funded by TANF, as well as strategies to improve program management and performance.

The legislation requires the Secretary of HHS, in consultation with the National Governors Association and the American Public Human Services Association, to develop uniform performance measures to judge the effectiveness and improvement of State programs in accomplishing TANF purposes. Finally, the legislation deletes a "long-term" qualifier measure used in ranking State performance and adds an employment retention and advancement ranking factor.

Reason for Change

The Subcommittee bill removes certain State plan requirements in current law that do not conform to proposed changes in the TANF program. The bill also adds certain State plan requirements that reflect the legislation's 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 legislation eliminates a State plan requirement related to differential treatment of beneficiaries based on previous State residency. This revision is in response to a 1999 Supreme Court Case (*Saenz v. Roe*) that held such differential treatment was unconstitutional.

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.

Section 113. Data Collection and Reporting

Present Law

States are required to collect monthly, and report quarterly, disaggregated case record information about recipient families (but may use sample case record information for this purpose). Required family information includes county of residence, whether a member received disability benefits, ages of members, size of family and the relation of each member to the family head, employment status and earnings of the employed adult, marital status of adults, race and educational level of each adult, and race and educational level of each child, and whether the family received subsidized housing medicaid, food stamps, or subsidized child care (and if the latter two, the amount). In addition, required information includes number of months that the family received each type of aid under the program, number of hours per week, if any, that adults participated in specified activities (education, subsidized private jobs, unsubsidized jobs, public sector jobs, work experience, community service, job search, job skills training or on-the job training, vocational education), information needed to calculate participation rates, and type and amount of assistance received under the program, including the amount of and reason for any reduction of assistance. Further information required is unearned income, citizenship of family members, number of families and persons receiving aid under TANF (including the number of two-parent and one-parent families), total dollar value of assistance given, total number of families and persons aided by welfare-to-work grants (and the number whose participation ended during a month), number of noncustodial parents who participated in work activities, and for each teenager, whether he/she is the parent of a child in the family. From a sample of closed cases, the quarterly report is to give the number of case closures because of employment, marriage, time limit, sanction, or State policy.

Explanation of Provision

The legislation permits the Secretary of HHS to limit the use of sampling by designating core elements that must be reported for all families and adds race and educational level of each minor parent to the core reporting elements. States are no

longer required to report on the education level of each child. Under the Subcommittee legislation, States would be required to report on "each type" of aid a family receives and the reason for extending aid beyond 60 months when applicable.

The legislation also would require States to report on whether adults receiving assistance participated in training or other activities directed at TANF purposes, but not specifically listed under current law. States now reporting on participants engaged in job search also would have to report on those participating in job placement activities. States no longer would have to report on participants involved in job skills training. The legislation adds that work experience and community service activities are "supervised."

States would be required to report additional information related to progress toward universal engagement, as well as participation rates, and in the quarterly reports States must identify whether self-sufficiency plans have been established for all families receiving assistance, and the date the family first received assistance. The quarterly reports also must provide information on the marital status of the parents or guardians of any child in the family and whether the parents or guardians are living.

States would no longer be required to report on the type of assistance a family receives. However, States would be required to report on the number of families and persons who become ineligible to receive TANF during a month (broken down by the number that lose eligibility because of earnings, changes in family composition that result in higher earnings, sanctions, time limits, or other specified reasons).

The legislation proposes that regulations defining additional data elements be developed by the Secretary of HHS in consultation with the National Governors Association, American Public Human Services Association, and National Conference of State Legislatures.

States would be required to submit annual reports to the Secretary of HHS on the characteristics of all TANF programs funded with qualified State expenditures (that is, which are countable toward State maintenance of effort requirements), including the program's eligibility, program name, description of activities and program purposes, the number of beneficiaries, and any sanction policies or work requirements imposed.

Other new reporting requirements under the proposal include an annual report on performance improvement based on measures developed by the State in its State plan, and a requirement that States provide the Secretary of HHS with monthly caseload data no more than three months after each current month. Finally, the Secretary of HHS must provide an annual report to Congress by July 1 of each subsequent fiscal year, which is to include information provided by the States in their annual reports to the Secretary on program characteristics.

Reason for Change

Since the 1996 welfare reform law was enacted, data reported to the Secretary has been critical in evaluating the impacts of various State and local programs. The legislation conforms data reporting elements with the proposal's increased emphasis on work among current recipients. Based on the information provided to the Congress in the Secretary's Annual Report, 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.

Finally, the legislation's requirement that States provide information on all activities performed by adults on 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 fiscal year 2000, 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 provided under the Subcommittee legislation.

Section 114. Direct Funding and Administration by Indian Tribes

Present Law

In cases in which an Indian tribe applies to administer a Tribal family assistance program, the State's TANF block grant is reduced by an amount equal to the Federal pre-TANF payments to the State attributable to Indians. A separate appropriation of $7.6 million annually is provided 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 fiscal year 2007.

Reason for Change

Makes conforming amendment.

Section 115. Research, Evaluations, and National Studies

Present Law

The law authorizes the Secretary to conduct a series of research studies, demonstration projects, and evaluations and appropriates $15 million annually for such activities.

Explanation of Provision

The legislation extends the annual appropriation for research of $15 million for each of fiscal years 2003 through 2007. Additionally, the Secretary is provided with an additional $100 million fund for research and demonstration projects and for technical assistance to States, tribal organizations, and other entities chosen by the Secretary for each fiscal year through 2007. These additional funds shall be spent primarily on activities allowed under the marriage promotion grants as provided in section 103 above.

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 Subcommittee bill 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.

Section 116. 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 seven fiscal years.

Explanation of Provision

The legislation directs the Census Bureau to expand the Survey of Income and Program Participation (SIPP) to obtain data with which to evaluate TANF's impact on the economic and child well-being of low-income families with children. The legislation directs that the survey include information necessary to examine issues of out-of-wedlock childbearing, marriage, welfare dependency, the beginning and ending of spells of

assistance, work, earnings and employment stability, and the well-being of children. Appropriations are authorized at $10 million annually for fiscal years 2003 through 2007.

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

Section 117. Repeal of Waiver Continuation Authority

Present Law

AFDC waivers in effect on date of enactment of TANF continue until their scheduled expiration, unless the State chooses to end them early. As of April 1, 2002, 10 States had waivers scheduled to continue beyond September 30, 2002.

Explanation of Provision

All currently operating waivers are terminated as of the legislation's effective date of October 1, 2002.

Reason for Change

The waivers still operating under the TANF program are by and large waivers of the old AFDC program that has not existed for six years. States thus have had a number of years to adjust their programs to the flexible parameters of the TANF program. Additionally, the Subcommittee provides opportunities for States to apply for "superwaivers" under which any critical elements necessary for the success of future State welfare to work efforts could be continued, as long as they are integrated or better aligned with one or more programs serving low-income families.

Section 118. Definitions of Assistance

Present Law

Receipt of assistance by a parent or other caretaker relative triggers work and time limit rules. Current law does not define the term "assistance," however. 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-recurring short-term benefits.

Explanation of Provision

The legislation specifically defines "assistance" to mean 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. It excludes non-recurring 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.

Section 119. Technical Corrections

Present Law

Not applicable.

Explanation of Provision

Makes a number of technical corrections in keeping with various legislative changes.

Reason for Change

Technical corrections.

Section 120. Fatherhood Program

Section 120 of the Subcommittee legislation adds 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

Details evidence of 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 Subcommittee 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 Subcommittee 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 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

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 Subcommittee legislation would 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 have an impact on 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 a 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

The Secretary of HHS is authorized to make grants for fiscal year 2003 through fiscal year 2007 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 accomplish four objectives.

Full service grant projects require an applying entity to submit an application to the Secretary. The application must contain: (1) a description of the project and how it will be carried out; (2) information about the applicant's ability to carry out the project, and such other qualifications as the Secretary may require; (3) a description of how the applicant will address child abuse and domestic violence, including how the applicant will coordinate with State and local child protective service and domestic violence programs; (4) 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; and (5) a description of how the project would coordinate, as appropriate, with State and local entities responsible for Welfare-to-Work, Child Support Enforcement, and Child Welfare Service 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. In addition, the application would include an agreement to maintain records, make reports, and cooperate with reviews or audits as required by the Secretary and an agreement to cooperate with the Secretary's evaluation of the project.

An application for a limited purpose grant of less than $25,000 per fiscal year must contain similar but more limited information and descriptions than those required for full service grants as provided above.

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 four specified objectives. Also, 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 grant and limited purpose grant projects would enable the Secretary 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 the 106th and 107th Congress, Members 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, that 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 where they go to work and complete certain activities.

Section 444 of Part C - Multicity, Multistate Demonstration Projects

Present Law

No provision.

Explanation of Provision

The Secretary will award grants for fiscal year 2003 through fiscal year 2007 for two multi-city, multi-State fatherhood 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. The legislation specifies conditions for an entity eligible for such grants.

Federal grant funds for multi-city, multi-state demonstration projects may be used for up to 80 percent of the 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 Subcommittee 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 Subcommittee expects the selected projects to provide project information with the Secretary that can be shared with other programs.

Section 445 of Part C - Evaluation

Present Law

No provision.

Explanation of Provision

The Secretary would evaluate the effectiveness of the selected competitive grants for service projects and selected multi-city, multi-State demonstration projects from the standpoint of the four specified objectives.

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

The Secretary must publish an implementation evaluation report covering the first 24 months of the activities within 36 months of the initiation of such activities. A final report on the evaluation is to be completed by September 30, 2010.

Reason for Change

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

Section 446 of Part C - Projects of National Significance

Present Law

No provision.

Explanation of Provision

The Secretary is authorized, by grant, contract or cooperative agreement, to carry out projects and activities of national significance relating to fatherhood promotion. These projects and activities may include: collection and dissemination of information to interested parties information regarding approaches to accomplishing the four specified objectives; development, promotion, and distribution of a media campaign that promotes and encourages involved, committed, and responsible fatherhood and married fatherhood; technical assistance in the implementation of local fatherhood promotion programs, and conducting research related to the purposes of the fatherhood program.

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 non-custodial fathers, with particular attention to low-income fathers, and to mothers and expectant mothers.

Reason for Change

This provision clarifies the intent of the Subcommittee regarding nondiscrimination.

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

Present Law

No provision.

Explanation of Provision

Authorizes $20 million for each of fiscal years 2003 through 2007. Not more than 15 percent of the annual appropriations 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 family life.

TITLE II. CHILD CARE

Section 201. Entitlement Funding

Present Law

States are entitled to child care block grant funding based on fiscal years 1992 through 1995 expenditures in welfare-related child care. Mandatory funds above this amount are provided to States on a matching basis. Appropriations for the entitlement (mandatory) funds are set forth for each year, rising to $2.717 billion in fiscal year 2002.

Explanation of Provision

The legislation provides $2.717 billion in mandatory funding for the child care block grant (continuing fiscal year 2002 levels) in each of fiscal years 2003 through 2007.

Reason for Change

The record high Federal funding levels for the mandatory portion of the Child Care and Development Block Grant are continued each year through 2007, totaling well over $13 billion over five years.

TITLE III. CHILD SUPPORT

Section 301. Federal Matching Funds for Limited Pass Through of Child Support Payments to Families Receiving TANF

Present Law

While a family receives TANF benefits, the State is permitted to retain any current child support payments and any assigned arrearages it collected up to the cumulative amount of TANF benefits which have been paid to the family. The State may share some, all, or none of the child support collected on behalf of a TANF family with the family. The State is required to pay the Federal government the Federal share of the child support collected, even if the State shares its collections with the family.

Explanation of Provision

For families receiving TANF benefits, if the State passes through to the family up to the greater of $100 per month or $50 over the State's stipulated pass through as of December 31, 2001, Federal matching funds would be available. To obtain the Federal match, the State has to disregard the amount passed through in determining the TANF benefit amount. This provision would take effect beginning October 1, 2004.

Reason for Change

The Subcommittee legislation provides that current and former welfare families receive more of the child support collected from noncustodial parents. By providing a Federal match for child support collections of up to $100 (or if greater, $50 more than the recent level) that are 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 302. 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 are required to be paid to the family before any monies may be retained by the State. Since October 1, 2000, child support arrearages that accrued before the family began receiving TANF also are required to be distributed to the family first. 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, the State and the Federal government retain such arrearage payments.

Explanation of Provision

If the family has left TANF, States may distribute to the family the full amount of 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 accrued while the family received TANF. This provision would take effect beginning October 1, 2004.

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

Present Law

States are required to have procedures under which every three years the State reviews and adjusts (if appropriate) child support orders at the request of either parent. In addition, in the case of TANF families, the State is required to review and update (if appropriate) child support orders at the request of the State Child Support Enforcement agency or of either parent.

Explanation of Provision

States are required to review and, if appropriate, adjust child support orders in both TANF and non-TANF cases every three years, at the request of either parent or the State CSE agency (in the case of a TANF family). This provision would take effect on October 1, 2004.

Reason for Change

Factors such as inflation, unemployment, promotion, job change, marriage, or disability can cause child support orders to become outdated and in need of 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 this cost saving, 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 304. Mandatory Fee for Successful Child Support Collection for Family That Has Never Received TANF

Present Law

Non-welfare families applying for child support enforcement program services must be charged an application fee that cannot exceed $25. 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. This provision would take effect October 1, 2003.

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. In addition, this action represents a step away from the perception that the purpose of the child support enforcement program is to recoup welfare benefits, and toward a focus on families and a strengthened child support enforcement program.

Section 305. Report on Undistributed Child Support Payments

Present Law

No provision.

Explanation of Provision

Within six months of enactment, the Secretary of HHS must submit to Congress a report on the procedures States use to locate custodial parents for whom child support has been collected but not yet distributed. The report would be required to include recommendations on actions to expedite the payment of undistributed child support.

Reason for Change

The Subcommittee 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 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 306. Use of New Hire Information to Assist in Administration of Unemployment Compensation Programs

Present Law

All employers are required to report basic information on every newly hired employee to the State. States are then required to collect all this information in the State Directory of New Hires, to use this information to locate noncustodial parents who owe child support and send a wage withholding order to their employer, and to (within three business days) report all information in their State Directory of New Hires to the National Directory of New Hires. Information in the State Directory of New Hires is used by State Employment Security Agencies (the agency that operates the State Unemployment Compensation program) to match against unemployment compensation records to determine whether people are actually working and fraudulently drawing unemployment compensation benefits.

Explanation of Provision

State Employment Security Agencies are authorized to request and receive information from the National Directory of New Hires in order to help detect fraud in the unemployment compensation system. This provision would take effect on October 1, 2003.

Reason for Change

States have successfully used matches between their State Directory of New Hires and unemployment compensation records to identify individuals who are inappropriately drawing unemployment compensation benefits while working. Unemployment compensation payments to these individuals are stopped quickly, saving money and reducing fraud. However, if an individual is working in a different State than the one in which unemployment compensation benefits are being drawn, the State paying unemployment benefits is not able to detect this fraud because they do not have access to Federal Directory of New Hires for comparison. According to the Congressional Budget Office, allowing States access to the National Directory of New Hires would reduce fraud by $66 million over five years.

Section 307. Decrease in Amount of Child Support Arrearage Triggering Passport Denial

Present Law

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 Child Support Enforcement 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 amount of past-due child support that triggers passport denial, revocation, or restriction to noncustodial parents is reduced from $5,000 to $2,500. This provision would take effect on October 1, 2003.

Reason for Change

The passport denial program has proved to be an effective method for collecting past-due child support payments. In fiscal year 2000, individuals with child support arrearages paid $3.6 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 308. 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.

Explanation of Provision

The Federal income tax refund offset program may be used to collect arrearages on behalf of non-welfare cases in which the child is no longer a minor. This provision would take effect on October 1, 2004.

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 309. 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, veteran's 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, which occurs rarely, the only way to obtain child support payments from veterans' disability compensation is to request that the Secretary of the U.S. Department of Veterans Affairs intercept the disability compensation and make the child support payments.

Explanation of Provision

Veterans' disability compensation benefits are allowed to be intercepted 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, 2004.

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 Subcommittee believes the fact that veterans are receiving the payments because they were injured in the line of duty justifies this continued differential treatment.

Section 310. Improving Federal Debt Collection Practices

Present Law

Any Federal agency that is owed a nontax debt that is more than 180 days past-due must notify the Secretary of the Treasury to obtain an administrative offset of the debt. Currently, Social Security payments can only be offset for Federal debt recovery.

Explanation of Provision

The Federal administrative offset program is expanded to allow certain Social Security benefits to be offset to collect unpaid child support on behalf of families receiving Child Support Enforcement program services in appropriate cases selected by the States.

Reason for Change

To further increase the amount of child support collected, this provision adds another enforcement tool to achieve that goal. While maintaining current safeguards such as offset thresholds, this provision provides a limited expansion that would help

collect unpaid child support obligations and assist additional families with children in avoiding unnecessary dependence on welfare.

Section 312. Maintenance of Technical Assistance Funding

Present Law

The Secretary is authorized to use one percent of the Federal share of child support collected on behalf of TANF families the preceding year to provide for information dissemination and technical assistance, training of State and Federal staff, staffing studies, and related activities needed to improve Child Support Enforcement programs (including technical assistance concerning State automated systems), and research, demonstration and special projects of regional or national significance relating to the operation of child support programs.

Explanation of Provision

The Secretary is authorized to use one percent of the Federal share of child support collected on behalf of TANF families the preceding year, or the amount appropriated for fiscal year 2002, whichever is greater, to provide for activities described under current law.

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 313. Maintenance of Federal Parent Locator Service Funding

Present Law

The Secretary of HHS is authorized to use two percent of the Federal share of child support collected on behalf of TANF families the preceding year 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.

Explanation of Provision

The Secretary is authorized to use two percent of the Federal share of child support collected on behalf of TANF families the preceding year, or the amount appropriated for fiscal year 2002, whichever is greater, 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.

Reason for Change

The Federal Parent Locator Service 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.

TITLE IV. CHILD WELFARE

Section 401. Extension of Authority to Approve Demonstration Projects

Present Law

Section 1130(a)(1) and (2) of the Social Security Acts permits the Secretary of HHS to approve State demonstration projects that are likely to promote the objectives of the child welfare programs authorized under Title IV-B and Title IV-E of that Act. This authority is granted for fiscal years 1998 through 2002.

Explanation of Provision

Extends the Secretary's authorization to permit child welfare demonstration projects through fiscal year 2007.

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 and 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 402. Elimination of Limitation on Number of Waivers

Present Law

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

Explanation of Provision

Removes the restriction on the number of demonstration projects the Secretary may approve in each fiscal year.

Reason for Change

The Secretary's authority 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 403. Elimination of Limitation on Number of States That May Be Granted Waivers to Conduct Demonstration Projects on Same Topic

Present Law

No provision.

Explanation of Provision

Asserts that the Secretary 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 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 Subcommittee 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 404. Elimination of Limitation on Number of Waivers That May Be Granted to a Single State for Demonstration Projects

Present Law

No provision.

Explanation of Provision

Asserts that the Secretary 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 has narrowly interpreted waiver authority. The Subcommittee legislation makes 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 405. Streamlined Process for Consideration of Amendments to and Extensions of Demonstration Projects Requiring Waivers

Present Law

No provision.

Explanation of Provision

Requires the Secretary to develop a "streamlined process" for 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 Subcommittee finds that the current Administration has made dramatic improvements to the waiver approval process, particularly as it affects waivers of health care provisions, the legislation would ensure there is an expedited process for child welfare waiver extensions and amendments in the future. The legislation would not in any way diminish the authority of the Secretary to raise and require States to address any issues that may affect children's health and safety.

Section 406. 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 must obtain an evaluation of the project's effectiveness and must provide interim and final evaluation reports to the Secretary when and in the manner, that the Secretary requests.

Explanation of Provision

Requires the Secretary to make available to States or other interested parties any of the demonstration project evaluation reports that it requests and any demonstration project evaluation or report made by the Secretary which may promote 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 legislation requires the Secretary to ensure that the findings from these demonstration reviews are made available to other States and interested parties.

Section 407. Technical Correction

Present Law

Section 1130(b)(1) of the Social Security Act specifies 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

Changes 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

This is a technical change to correct a cross-reference.

TITLE V. SUPPLEMENTAL SECURITY INCOME

Section 501. Review of State Agency Blindness and Disability Determinations

Present Law

No provision.

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. Review is required of at least 15 percent of determinations made in fiscal year 2003, 30 percent of those made in fiscal year 2004, and 50 percent of those made in fiscal year 2005 and subsequent years.

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 SSA policies. By expanding this review provision to selected Supplemental Security Income adult disability cases, the practice would be extended to help ensure that only beneficiaries disabled under the law receive Supplemental Security Income benefits.

TITLE VI. BROADENED WAIVER AUTHORITY

Section 601. State Program Demonstration Projects

Present Law

No provision.

Explanation of Provision

Establishes new waiver authority that would allow the Secretaries of HHS and Labor, upon request of a State, to waive rules in the Federal unemployment insurance program under Title III of the Social Security Act, parts A or D of Title IV of the Social Security Act, and Title XX of the Social Security Act. Waiver projects must not increase Federal costs over five years. The purpose would be to integrate programs designed to support working individuals and families, helping families escape welfare dependency, promoting child well-being, or helping build stronger families, using innovative approaches to strengthen service systems, and provide more coordinated and effective service delivery.

Waivers may not be granted that affect laws relating to civil rights, the purposes or goals of any program, maintenance of effort requirements, health or safety standards, labor standards under the Fair Labor Standards Act of 1938, or environmental protection.

Reason for Change

Waivers under the Aid to Families with Dependent Children (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 legislation seeks 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 legislation 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.

TITLE VII. EFFECTIVE DATE

Section 701. Effective Date

Present Law

No provision.

Explanation of Provision

Unless otherwise specified, provisions take effect on October 1, 2002. If the Secretary determines that State legislation is required, more time is allowed (three months after the first regular session of the legislature).

Reason for Change

Provides for the effective date of changes while allowing States ample time to make any necessary changes to State laws to comply with the Subcommittee bill.