THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996

(Conference Agreement for HR 3734: Public Law 104-193)
Prepared As of August 30, 1996

The conference agreement for HR 3734, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 was passed by the House on July 31 (328 yeas-101 nays) and by the Senate on August 1 (78 yeas-21 nays). Prior to the House vote, the President announced his intention to sign the bill, thus "ending welfare as we know it." On August 22, 1996 the conference agreement was signed into law (PL 104-193).

The bill is a comprehensive piece of legislation with far-reaching implications in a number of programs. The bill eliminates the open-ended federal entitlement program of Aid to Families with Dependent Children (AFDC) and creates a block grant for states to provide time-limited cash assistance for needy families. The comprehensive legislation also makes far-reaching changes to child care, the Food Stamp Program, Supplemental Security Income (SSI) for children, benefits for legal immigrants and the Child Support Enforcement program. Modifications to the child nutrition programs and a reduction in the Social Services Block Grant are also included. Unlike previous versions, however, current law is retained for child welfare and child protection programs. The legislation will save an estimated $54.5 billion over six years with the majority of savings due to changes in the Food Stamp Program and reduction in benefits for legal immigrants.

I. TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

BLOCK GRANTS (Title I)

Purpose: To provide assistance to needy families with children so they can be cared for in their own home, and to reduce dependency by promoting job preparation, work and marriage. States may also use funds on efforts to prevent out-of-wedlock pregnancies and encourage the formation and maintenance of two-parent families.

Grants to States and Use of Funds

Effective Dates: States have until July 1, 1997 to submit a state plan and begin implementing the TANF block grant, but the maximum funding a state may receive in FY 1997 is its block grant allocation.

- States may opt to begin implementing the block grant immediately after allowing for a 45 day comment period on the state plan by local governments and private organizations, and after appropriation of the block grant funds by the state legislature.
- A state that enters the block grant after the start of the federal fiscal year will receive an amount equal to the lesser of its annual TANF grant multiplied by the proportion of days remaining in the fiscal year *or* the state's block grant allocation reduced by the federal funds obligated up to that time for the state's IV-A program (as in effect on Sept. 30,

1995). In FY 1997 a state will receive no more than its FY 1997 block grant allocation and it could receive less.

- A number of penalties against states (including the penalty for failure to meet the work requirement), and the new data collection requirements will not take effect until the later of July 1, 1997 or 6 months from the date that the Secretary of HHS receives a state's plan. Penalties will be assessed on conduct occurring after that date.

Grants to States: The bill provides for a total of $16.38 billion annually in the form of block grants for states in fiscal years 1997 to 2002. States receive funding based upon previous federal expenditures in the state on AFDC benefits and administration, Emergency Assistance (EA) , and JOBS. States would receive the greater of:

- the average of FY 92-94 expenditures; or
- FY 94 expenditures plus 85 percent of the State's EA for FY 95 that exceeds the total amount of EA paid to a state for FY 94 if during FY 94 HHS approved the use of EA funds for family preservation; or
- four-thirds of the total amount to be paid to the state under AFDC and EA for the first three quarters of FY 95, plus the total amount required to be paid to the state for FY 95 under JOBS.

Supplemental Grant Amount: The bill provides an additional $800 million for FY 98 to FY 2001 for states with high population growth and/or low grant amounts per poor person. Qualifying states will receive an annual adjustment based on 2.5% of FY 94 federal expenditures in the state for AFDC, AFDC-related child care, Emergency Assistance and JOBS. A state is deemed to automatically qualify in every year if it had FY 1994 federal welfare expenditures per poor person below 35% of the national average welfare spending per poor person, **or** the state had a population increase of more than 10% between April 1, 1990 and July 1, 1994. Other states may qualify if federal welfare expenditures per poor person in the state in the immediately preceding fiscal year are below the FY 1994 national average **and** the state's population growth rate exceeds the national growth rate. States that do not meet these latter criteria in FY 1998 will be ineligible for the supplemental fund in every year. According to Congressional Research Service estimates, eligible states are: Alabama, Alaska, Arizona, Arkansas, Colorado, Georgia, Florida, Idaho, Louisiana, Mississippi, Montana, Nevada, New Mexico, North Carolina, South Carolina, Tennessee, Texas, Utah, Virginia, and Wyoming. If the $800 million proves insufficient, eligible states will receive a pro rata reduction in their supplemental grants.

Use of Block Grant Funds: States may use their TANF block grant allocation for any "manner reasonably calculated to accomplish the purpose of the TANF." Activities that were authorized under Title IV-A and IV-F as of Sept. 30, 1995 are also eligible uses. The bill ends the federal entitlement of individuals to cash assistance under Title IV-A and states have complete flexibility to determine eligibility and benefit levels.

State Options: States are also given the option

- to carryover funds for the purpose of providing assistance in future years under the TANF Block Grant
- to make payments or vouchers for employment placement programs

- to implement an EBT Program
- to treat families who have moved from another state under the cash assistance rules operating in that state (including benefit levels) for twelve months

Administrative Cap: The bill sets a 15% administrative cap on states' use of TANF funds for administrative activities. Information technology and computerization needed for tracking and monitoring recipients of assistance are not included in the 15% cap.

Maintenance-Of -Effort Requirement (MOE): States must meet an 80% maintenance-of-effort to receive their full block grant allocation. The MOE will be reduced to 75% for states that meet the work participation rate requirement. The MOE level is based upon a state's FY 1994 spending on AFDC, JOBS, AFDC-related child care and EA. The following are "qualified state expenditures" that will count toward the MOE requirement:

- state spending in the programs created by the block grant on eligible families for cash assistance, child care, educational activities (excepting most public education), administrative costs (not to exceed 15% of the total amount) and any other use of funds allowed under the grant,
- expenditures in other state or local programs on eligible families for the above activities if the spending is above the amount expended in FY 1995,
- state spending on families who would otherwise be eligible for assistance if not for the application of the five-year lifetime limit on federal benefits.

A state's grant would be reduced $1 for each $1 that a state's spending falls below the required MOE.

Transferability: States may transfer up to 30% of the funds from the TANF block grant into the child care block grant and the Social Services Block Grant (SSBG). States may transfer no more than one-third of the transferred amount to the SSBG. Additionally, the funds transferred to the SSBG must be spent on services to children and families whose incomes do not exceed 200% of the poverty level.

Contingency Fund: The bill provides $2 billion in federal matching funds for the period FY 1997-2001 for states experiencing an economic downturn. An eligible state must maintain 100% of its FY 1994 level of state spending on welfare in the year(s) a state uses the fund. States must meet one of two triggers to access the fund:

- The unemployment trigger - a state must have an unemployment rate of at least 6.5% and the average rate must be at least 10% higher than the same quarter in either of the two preceding years.
- The food stamp trigger - a state would be eligible if the number of food stamp recipients (for the most recent three months for which data is available), is 10% greater than the monthly average number of individuals that would have participated in the food stamp program in FY 1994 or FY 1995 (whichever is lower) in the corresponding three month period if the changes in cash assistance and benefits for immigrants made by the bill had been in effect.

Funds are provided at the FY 95 FMAP (federal medical assistance percentage) and cannot exceed 20% of the state's total block grant in a fiscal year. In any month, a state may draw down

only 1/12 of the 20%. A state may continue to draw down from the fund for 1 month after it no longer meets a trigger.

Rainy Day Loan Fund: Provides a $1.7 billion federal revolving loan fund. To be eligible, a state may not have incurred any penalties under the cash block grant. The maximum loan is 10% of a state's grant, for up to 3 years.

Performance Bonus: Provides $1 billion over five years ($200 million a year) for cash bonuses to "high performing states" that meet the goals of the program. The Secretary of HHS, with NGA and APWA, will develop a formula to be used in measuring state performance and making the awards. Bonus awards will be made in each of FY 1999-2003 for performance in the preceding fiscal year and will not exceed 5% of a state's cash grant.

Illegitimacy Reduction Bonus Fund: For each of FY 1999-2002, provides $20 million annually to each of the five states with the greatest success in reducing out-of-wedlock births without increasing abortions compared to the previous two-year period. If there are fewer than five states eligible for the bonus, the grant will be $25 million each.

Work Requirements

Adults in families receiving assistance under the block grant are required to participate in work activities after receiving assistance for 24 months (subject to good cause exemptions by the state). Recipients must be participating in community service within two months of receiving benefits if they are not working. States may opt out of this community service requirement with a letter from the Governor to the Secretary of HHS.

States must achieve the following minimum participation rates with respect to all families that include an adult or minor child head of household receiving assistance. Families not required to work in the first 24 months will be counted in the work participation rate. The annual participation rate is the average of the participation rate for each month in the fiscal year.

Work Participation Rates for All Families:

FY 1997	25%
FY 1998	30%
FY 1999	35%
FY 2000	40%
FY 2001	45%
FY 2002 and beyond	50%

Work Participation for Two-Parent Families:

FY 1997	75%
FY 1998	75%;
FY 1999 and beyond	90%

Pro Rata Reduction of Work Participation Rate: The Secretary will establish regulations to grant states a reduction in their work participation rate by the percentage points equal to the percentage points (if any) that the average monthly number of families receiving aid under the block grant in the state in the preceding fiscal year is less than the average monthly number of families that received aid under Title IV- A in the state in FY 1995. The participation rate may not be reduced to the extent that the Secretary determines that the reduction in the number of

families leaving such assistance is required by federal law, or proves that families were diverted as a result of a state changing its eligibility criteria.

Calculation of Monthly Participation Rate: For all families, the calculation includes the number of families receiving TANF assistance that include an adult engaged in work; divided by the number of families receiving such assistance decreased by the number of families that have been penalized in the month but have not been subject to such penalty for more than three months within the preceding 12-month period (whether or not consecutive). Those who leave welfare for work may not be counted toward a state's participation rate. A separate calculation is made for two-parent families based on the same formula.

Two-Parent Families Calculation of Work Rate: Uses same formula as above, but substitute 2-parent families for "all families."

Tribes may be included: States may include families receiving assistance under a tribal family assistance plan in the work rate calculation.

Allowable Work Activities: An individual must participate in one or more of the following activities to count toward the work participation rate:

1. unsubsidized employment
2. subsidized private sector employment
3. subsidized public sector employment
4. work experience (including work associated with refurbishing publicly assisted housing), only if sufficient private sector employment is not available
5. on-the-job-training
6. job search and job readiness assistance for up to 6 weeks (No more than 4 weeks may be consecutive. Individuals in states with unemployment at least 50% greater than the national average may participate for 12 weeks)
7. community service programs
8. vocational educational training (not to exceed 12 months for any individual)
9. job skills training directly related to employment
10. education directly related to employment, in the case of a recipient who has not received a high school diploma or certificate of high school equivalency
11. satisfactory attendance at secondary school or course of study leading to GED in the case of a recipient who has not completed secondary school
12. provision of child care services to an individual who is participating in a community service program

Minimum Work Hours Per Week: Each individual must work the following minimum number of hours (averaged over a month) to be counted toward meeting the work participation rate.

All families:

FY 1997 -1998	20 hours
FY 1999	25 Hours
FY 2000 and beyond	30 Hours

Two-parent families:

FY 1997 and beyond	35 Hours

Special Rules, Limitations, Sanctions

Two-parent family receiving child care: If a two-parent family receives federally-funded child care then both parents must work with exceptions for parents of severely disabled children or parents who are themselves disabled.

A single parent with a child under age six: In every fiscal year, a state may count toward meeting the work requirement a single custodial parent engaged in work for an average of only 20 hours per week.

Teen parents: A teen parent/head of household under age 20 will be counted as engaged in work if the recipient maintains satisfactory attendance at secondary school or the equivalent during the month or participates in education directly related to employment for at least the minimum average number of hours per week specified above.

Under age one exemption: States have the option to exempt single, custodial parents with a child under one year from the work requirement. A state may disregard the individual when determining participation rates. A parent may only receive this exemption for a total of 12 months although the months do not need to be consecutive.

Limitations on education and training: For all families, activities #9, 10 and 11 in the allowable work activities will not count toward meeting the first 20 hours of participation unless, for 10 and 11, the parent is a teen head of household. For two-parent families, these activities do not count toward meeting the first 30 hours.

Limitation on vocational educational training and teens in school: Not more than 20% of families may count toward the work rate in a month by participating in vocational educational training. This includes a teen head of household in school or education directly related to employment. (No definition of vocational educational training is provided in the bill.)

Sanctions Against Individuals: A state must reduce assistance to a family pro rata (or more at state option) for any period in which an adult member of the family refuses to engage in work as required under the TANF grant. A state may waive the penalty subject to good cause and other exceptions the state may establish. A state may also terminate assistance completely and terminate Medicaid for the individual whose cash assistance is terminated for failure to work. (Minor children will continue to receive Medicaid.)

No Sanctions for Lack of Child Care: A state may not reduce or terminate assistance to a single parent with a child under age six if the parent proves that failure to participate in work is due to lack of care. States may not disregard these parents when calculating participation rates.

Penalties Against States for Failure to Meet Work Participation Rate: A state will be penalized by a grant reduction of 5% the first year it fails to meet participation rates. For consecutive failures, penalties rise by 2% each year with a cap of a 21% reduction in the TANF block grant amount. The Secretary can reduce the penalty for missing the work participation rate based on the degree of noncompliance or if a state is in a recession provided that the state is defined as "needy" (based on contingency fund triggers). As with other penalties in the conference report, the Secretary has the authority to grant reasonable cause exceptions and to allow states to enter into a 60-day corrective compliance plan before assessing any penalty.

Key Prohibitions

No Assistance Past 5 Years: A state may not use any part of the TANF grant to provide assistance to a family that includes an adult who has received assistance for 60 months (whether or not consecutive) under a state program funded by the TANF block grant. (The States may use their own funds to provide assistance after 60 months.) This prohibition applies to the entire household and to all forms of assistance under the grant. For families currently receiving

assistance, the five-year clock will start on the date the state begins implementation of the block grant.

- Child-only cases are not subject to the five-year limit.
- Hardship exemption. A state may exempt up to 20% of its average monthly number of families receiving assistance from the lifetime limit by reason of hardship, including families with members who have been battered or subject to extreme cruelty.
- States may use SSBG funds to provide vouchers to families who reach the 5-year time limit.

Teen Parents: In order to receive assistance, unmarried teen parents of a minor child at least 12 weeks of age must participate in educational activities directed toward receiving a high school diploma or GED, or participate in an alternative education or training program approved by the state. States must also deny assistance if the teen is not living at home or in an approved, adult-supervised setting.

Paternity Establishment: A state must reduce a family's grant by 25% or may terminate it completely if the parent fails to cooperate in establishing paternity or in establishing, modifying or enforcing a support order unless the individual qualifies for a good cause exception.

Person convicted of drug-related felony: States must permanently deny all Title IV-A cash assistance and food stamp benefits to individuals convicted of felony drug possession, use, or distribution. Other members of the family could continue to receive benefits. States may opt out of this provision or limit the period of prohibition by passing legislation. States are authorized to collect drug-related information through written self-declaration when an individual applies for benefits.

Child Support Rights: As a condition of receiving assistance, the family must assign child support rights to the state

Medical Services: No part of a state's TANF grant may be used for medical services except for pre-pregnancy planning services.

States Currently Operating Under Existing Waivers

Termination of waiver: States may terminate existing waivers and be held harmless for any accrued federal cost liabilities. States must make the decision to terminate within 90 days after the adjournment of the first regular session of the state legislature after the bill's enactment.

Continuation of waivers in effect on date of enactment: States may elect to continue their waivers but will only receive their block grant funding in each fiscal year. To the extent the amendments made by the Act are "inconsistent" with the waiver, the amendments will not apply. The manager's explanation elaborates that such waivers may only apply to the geographic areas of the state and to the specific program features for which the waiver was granted.

Waivers before enactment and approved after enactment: Waivers submitted prior to enactment and approved by July 1, 1997 must comply with Sec. 407-work requirements, even if the requirements are inconsistent with the waiver. In other areas that are inconsistent, the terms of the waiver will prevail.

State Options

- States may deny assistance to additional children born or conceived while the parent is on welfare (family cap).

- States with a family cap may use SSBG money to provide vouchers for the excluded child.
- States may deny assistance to unmarried teen parents and their children.
- States may require school attendance by parents (if they have not completed high school) and children in a family. States may sanction families for failure to comply.
- States must perform assessments, but personal responsibility contracts are at the option of the state.

State Plan Requirements
State plan must be filed every two years and include:

- an explanation of how a state plans to serve all its political subdivisions
- an explanation of how a state plans to require a parent or caretaker to engage in work activities after receiving assistance under the program for 24 months and ensure that parents and caretakers receiving assistance engage in allowable work activities
- an explanation of whether welfare will be provided to non citizens and if so, provide an overview of benefits
- an explanation of how a state plans to treat interstate immigrants, if families including such immigrants are to be treated differently than other families
- an explanation of how a state plans to take necessary steps to assure appropriate confidentiality, set goals and take action to reduce out-of-wedlock pregnancies
- certification that it will operate a child support enforcement program, and a child protection program
- certification of how the state will administer the program and that it will provide Indians with equitable access to assistance.

Fair and Equitable Treatment: The plan must also set forth objective criteria for the delivery of benefits, for the determination of eligibility and for fair and equitable treatment, including how the state will provide an administrative or appeals process for recipients who have been adversely effected.
Consultation and review: A state must consult with local governments and private sector organizations regarding the design of the plan and allow 45 days to receive comments from them on the plan.
Services provided by charitable, religious or private organizations: Subject to a number of provisions**, t**he bill allows states to contract with religious and other private providers for the provision of block grant services and to operate certificate/voucher programs in which religious providers could participate.
Penalties Against States
States are subject to the following penalties:

- use of funds in violation of the bill (repay amount and, if violation was intentional, an additional 5% of grant)
- failure to submit required report within one month of the end of each fiscal quarter (4% of grant)
- failure to satisfy minimum work participation rates (5% of grant plus an additional 2% each year for consecutive failures for a maximum of 21%)

- failure to participate in the Income and Eligibility Verification System -IEVS (up to 2%)
- failure to enforce penalties requested by child support agency (up to 5%)
- failure to meet the MOE ($1 reduction in grant for each $1 below required MOE); and
- failure to timely repay a federal loan (reduction of grant by outstanding loan amount plus interest owed)
- failure to maintain assistance to adult, single, custodial parents who cannot obtain child care for children under 6 (up to 5%)
- failure to comply with the 5-year limit on assistance (5%)
- failure to maintain the 100% MOE when receiving contingency fund dollars (pay back contingency fund dollars)

A state is required to expend its own funds to replace the reduction in its grant resulting from any penalties.
Additionally, the grant will be reduced if the state's child support program is not in compliance with the requirements of IV-D.
The Secretary must waive the penalty if the Secretary finds the state had reasonable cause to not comply. States may also enter into corrective compliance plans with the Secretary in lieu of paying penalties.

Reporting requirements: Beginning July 1, 1997, states must collect monthly data and are required to provide quarterly reports providing extensive disaggregated case record information on families receiving assistance. States may use sampling methods, and the Secretary may develop procedures for verifying the quality of the data submitted. States must also submit annual reports on the use of funds to cover administrative costs and overhead; state expenditures on programs for needy families; noncustodial parents in work activities; and transitional services.
Indian tribes: Indian tribes with an approved tribal family assistance plan may directly receive and administer block grant funds beginning in FY 1997. (A state's block grant will be reduced by this amount.) States have the option of including individuals receiving assistance under a state tribal assistance plan in the calculation of their work participation rates. Tribes that have been JOBS grantees will receive an annual grant equal to their FY 1995 JOBS allocation.

II. CHILD CARE (Title VI)

The bill consolidates the existing IV-A child care funding sources (AFDC/JOBS, At-risk, Transitional child care) with the Child Care Development Block Grant. The effective date for the block grant is October 1, 1996. State legislatures must appropriate the child care block grant funds.

Mandatory Funding

Total mandatory or entitlement funding to states for child care during the six year period FY 1997-FY 2002 is $13.85 billion. $ 7.2 billion will be used for states' base allocations. The remaining $6.7 billion will be matching funds for the states.
Base allocation: In each fiscal year, a state's base allocation will be based on the greater of the federal share of IV-A child care expenditures in FY 1995, FY 1994, or the average of FY 1992-1994. (National total of approximately $1.2 billion annually.)

- No state match required.
- No maintenance-of-effort separate from the 80% in TANF.
- Funds may be carried over into the next fiscal year.

Matching funds: The remaining funds will be distributed under the following conditions:

- States must have spent their initial allotment described above and have spent state dollars on child care equal to their FY 1994 or FY 1995 state spending for AFDC-related child care, whichever is higher.
- State expenditures above the MOE level will be matched at the FY 1995 federal medical assistance percentage (FMAP).
- The funds will be distributed according to the proportion of children under age 13.
- Unused funds will be redistributed.
- Total matching funds to states will be $729 million in FY 1997, $827 million in FY 1998, $924 million in FY 1999, $1.121 billion in FY 2000, $1.317 billion in FY 2001 and $1.464 million FY 20002.

Discretionary Funding
An additional $1 billion is authorized annually (representing the current CCDBG). Allocation of these funds is based on the current CCDBG formula. The legislation states that a "substantial portion of the funds must be used for low-income working families."
Indian Tribes: The Secretary will reserve between one and two percent annually of the total appropriation for Indian tribes and tribal organizations.
Use of Funds:

- States must use at <u>least 70%</u> of the total amount of mandatory (including matching) funds to provide child care assistance to welfare recipients, to those in work programs and attempting to leave welfare, and those at-risk of going on welfare.
- A <u>4% set-aside</u> for activities to improve the quality and availability of care including activities designed to provide comprehensive consumer education to parents and the public; activities that increase parental choice; and resource and referral services.
- A <u>5% cap on administrative costs</u>, which excludes direct services, applies to all mandatory and discretionary funding. The accompanying manager's explanation to the bill lists a number of activities that should <u>not</u> be considered administrative expenses in regulations that may be issued by the Secretary. These include eligibility determination and redetermination; preparation and participation in judicial hearings; child care placements; recruitment, licensing and inspection of child care placements; and the establishment and maintenance of computerized child care information.
- Requirements and limitations of the CCDBG, as amended by the bill, apply to <u>all</u> child care funds.

Health and Safety Standards: Current law <u>health and safety</u> protections required in the CCDBG are maintained. States must have requirements on prevention and control of infectious diseases (including immunizations), building and physical premises safety, and minimum health and training.
Administration of Funds: All funds are to be transferred into and administered by the lead agency for the CCDBG. The Governor designates the lead agency and may select a governmental or non-governmental agency to administer the funds.

State Plan
States must:

- certify that consumer education will be collected and disseminated to parents of eligible children and the general public.
- certify that licensing requirements are in effect that are applicable to child care services provided within the state, and provide a detailed description of how the requirements are enforced.
- demonstrate how specific child care needs of families receiving welfare, families attempting through work activities to transition off of welfare, and families who are at risk of going on welfare are met.
- ensure that a substantial portion of funds will be used to provide assistance to low-income working families other than those described above.

Annual Reports and Audits:

- **Quarterly Reports** - States must collect information monthly on the following data reporting elements and submit information quarterly: family income; county of residence; the gender and age of children receiving assistance; whether the family includes only 1 parent; sources of family income (including employment, IV-A cash assistance, housing assistance, food stamp assistance, and other assistance programs); the number of months the family has received benefits; the type of child care in which the child was enrolled; whether the child care provider was a relative; the cost of child care for families; and the average hours per week of care. The Secretary may disapprove the information collected if the state uses a sampling method.
- **Biannual Reports -** States must collect information on the following data reporting elements and submit information every 6 months: the number of child care providers that received funding; the monthly cost of child care services and the subsidy cost portion; the number of payments made to providers through vouchers, contracts, cash and disregards under public benefit programs, listed by the type of child care services provided; the manner in which consumer education information was provided to parents; and the total number (without duplication) of children and families served.

Penalties: If the Secretary determines the state is not in compliance, the state may be required to reimburse the Secretary for any funds that were improperly expended for purposes prohibited or not authorized. The Secretary may deduct from the administrative portion of the state allotment for the following fiscal year an amount that is less than or equal to any improperly expended funds, or a combination of such options.

III. MEDICAID PROGRAM (Provisions contained in Title I and Title IV)

Comprehensive Medicaid reform was not included in the welfare reform bill. However, several important changes were made with respect to categorical eligibility for Medicaid based on receipt of welfare and the eligibility of immigrants for Medicaid.

Eligibility link to welfare: Under current law, persons eligible for assistance under Title IV-A (AFDC) are automatically entitled to coverage under the state's Medicaid program. The conference report severs this automatic link. It amends Title XIX to say that any reference in Title XIX to eligibility under Title IV-A shall mean the state's AFDC state plan as it existed on July 16, 1996. A state can modify those "frozen" plans in three ways:

1. lower its income standards, but not below the level applicable under its AFDC state plan as of May 1, 1988;
2. increase income or resource standards by an amount not to exceed the CPI; and
3. use income and resource methodologies that are less restrictive than the methodologies used under the State plan as of July 16, 1996.

Transitional Medicaid:

- Retains existing Medicaid law regarding transitional assistance. Families that would lose eligibility for Medicaid because their income, due to increased child support, exceeds the prior law AFDC standards(as discussed above) will receive four months of transitional Medicaid and those becoming ineligible due to increased earnings will receive twelve months.
- Transitional assistance provisions, due to sunset in 1998, are extended to 2001.
- States will have the option to terminate medical assistance for persons denied cash assistance because of refusal to work; pregnant women and minor children are, however, protected.

Waivers: A state with a waiver of certain Title IV-A provisions in place or approved by the Secretary on or before July 1, 1997, will have the option to continue to operate under that waiver with regard to eligibility for medical assistance.
Administrative Costs: The bill allows the Secretary to increase the federal share of administrative costs associated with the implementation of the new eligibility rules, up to a total federal expenditure of $500 million over four years.
Services for aliens:

- A state will have the option, as of January 1, 1997, of denying Medicaid coverage to persons who are legal residents but not citizens.
- New immigrants will be automatically barred for five years after entry. After that, the state may offer Medicaid coverage, but will have to apply deeming provisions. There are certain exceptions for persons who have worked for forty quarters in covered employment, or served in the military.
- Legal immigrants who will be losing SSI benefits will also lose Medicaid coverage. Accordingly, aged, blind, and disabled immigrants will not be categorically eligible for Medicaid. Thus, if a state wanted to extend Medicaid coverage to these individuals, they would have to do it through optional eligibility categories.
- No state may deny coverage of emergency medical services to either illegal or legal aliens.

Effective Date: These changes have the same effective date as the Title IV-A provisions, not later than July 1, 1997, and earlier at state option.

IV. SOCIAL SERVICES BLOCK GRANT (Title IX)

The bill makes a 15 percent reduction in the Social Services Block Grant (SSBG) funding from the FY 1995 authorized level of $2.8 billion. For FY 1996, funding is $2.381 billion. For FY 1997 - 2002, funding is $2.38 billion. For FY 2003 and thereafter, funding reverts to $2.8 billion.

It clarifies that SSBG funding can be used for vouchers for families ineligible for or denied cash assistance under Title IV-A because of a family cap or the five-year time limit on benefits.

V. BENEFITS FOR IMMIGRANTS (Title IV)

SSI and Food Stamp Bar

Current and future legal immigrants are barred from receiving SSI and Food Stamps until they become citizens. Current SSI recipients are subject to redetermination of eligibility in the year following enactment; current food stamp recipients must be recertified within one year. [On August 23, the President directed the Secretary of USDA to permit states to extend food stamp recertification periods to up to 12 months (or 24 months if all adult household members are disabled) but in no event will certification extend beyond August 22, 1997. This allows states to extend recertification for immigrants whose regularly scheduled recertifications occur more frequently than every 12 months, and thereby enable them to continue to receive food stamps for some additional months before becoming ineligible.]

Exceptions for certain individuals:

- refugees, asylees, or those granted withholding of deportation are eligible only for their first 5 years in U.S. (if these individuals have already been in the U.S. for five years, they lose benefits);
- lawful permanent residents with 40 qualifying quarters of work may receive benefits; for work quarters after December 31, 1996 to qualify, the individual must not receive any federal means-tested public benefit during that quarter (minor children and the spouse can be credited with qualifying quarters); and
- veterans, active duty military, spouses and dependents.

Cash Assistance (TANF), Medicaid and SSBG (State Option)

States have the option to determine the eligibility of current legal immigrants for federal cash assistance under Title IV-A (TANF), Medicaid, and services under the Social Services Block Grant (SSBG). Current recipients may receive benefits until January 1, 1997. States may provide or deny services thereafter. Immigrants that arrive after the bill is enacted are first subject to the five-year federal bar (see below), and then the state may provide or deny services. Immigrants that arrive after enactment who have sponsors *may* also be subject to deeming until they become citizens (see below).

Exceptions for certain individuals: Same as above.

5-Year Bar on Federal Means-Tested Programs

Newly-arriving legal immigrants who are qualified aliens are barred from all means-tested, federally-funded public benefits for the first 5 years they are in the country.

Exceptions for certain individuals:

- refugees, asylees, or those granted withholding of deportation for their first 5 years in U.S.
- veterans, active duty, spouses and dependents
- Cuban-Haitian**:** Cuban-Haitian entrants are eligible for Refugee Assistance and Refugee Education Assistance. The Executive Branch may have the authority to exempt these individuals, through regulation, from the five-year ban on other programs.

Program Exceptions:

- emergency medical assistance;
- short-term, non-cash, in-kind emergency disaster relief;
- National School Lunch Act;
- Child Nutrition Act;
- public health assistance (not including Medicaid) for immunizations and testing and treatment of symptoms of communicable diseases;
- foster care and adoption assistance (unless parent is qualified alien subject to 5-year bar);
- programs identified by the Attorney General which deliver in-kind services at the community level, do not condition assistance on the individuals' income or resources; and are necessary for the protection of life or safety (such as soup kitchens)
- higher education;
- means-tested programs under ESEA;
- Head Start; and,
- JTPA.

State and Local Governments

- States have the authority to determine the eligibility of legal immigrants for state and local means-tested programs. (Exceptions for refugees, asylees, and those whose deportation has been withheld for their first five years in the U.S.; lawful permanent residents with 40 qualifying quarters of work; veterans and active duty military, their spouses and dependent children; and current recipients until 1/1/97.)

- States have the authority to determine eligibility of legal immigrants for TANF, Medicaid, and Social Services Block Grant. (See exceptions under Cash Assistance, above.)

- States may not provide state or locally funded benefits to unqualified immigrants (except nonimmigrants or parolees for their first year in the U.S.) unless they enact state law after this bill is enacted.

- States (or the locality that offers the benefit) may deem for state programs. (See exceptions under Deeming, below.)

Programs Restricted By Deeming

(Note: deeming means sponsor's income and resources (and his or her spouse's income and resources) are considered, or "deemed", available to immigrant when determining program eligibility and amount of benefits. This mainly affects immigrants who enter under the family preference system: unmarried sons and daughters of U.S. citizens; spouses and unmarried sons and daughters of permanent residents; married sons and daughters of U.S. citizens; brothers and sisters of adult U.S. citizens.)

States must deem all federal means-tested programs for new immigrants, who are first subject to the five year federal bar, then subject to deeming until citizenship (or 40 quarters of qualifying work, as described under the SSI/Food Stamps bar.)

Current immigrants do not appear to be subject to the new deeming requirements (but further interpretation from the Immigration and Naturalization Service is needed).
Effective date: For programs that already deem (SSI, food stamps, and Medicaid), the effective date is the date of enactment. However, once the permanent bar goes into effect for SSI and Food Stamps, no further deeming will be necessary. For programs that do not currently deem, the effective date is 180 days after enactment.
States (or the locality that offers the benefit) may deem for state programs. Exceptions to state deeming are:

- emergency medical assistance;
- short-term, non-cash, in-kind emergency disaster relief;
- programs comparable to the National School Lunch Act;
- programs comparable to the Child Nutrition Act;
- public health assistance for immunizations and testing and treatment of symptoms of communicable diseases;
- foster care and adoption assistance (unless parent is qualified alien subject to 5-year bar);
- programs identified by the Attorney General which deliver in-kind services at the community level, do not condition assistance on the individuals' income or resources; and are necessary for the protection of life or safety (such as soup kitchens)

Affidavits of Support: Under the bill, affidavits of support are made legally enforceable against the sponsor by the sponsored alien, the federal government, and by any state or locality which provides means-tested programs for up to 10 years after receipt of benefit. Affidavits of support are enforceable until citizenship. (Reimbursement may not be sought for the 11 excepted programs to federal means-tested benefits. See 5-Year Bar above.)
Sponsors must notify the Attorney General and the state where the sponsored alien resides of any change of address of the sponsor. (Sponsor must be a citizen or national or lawful permanent resident; 18 years or over; resident of the 50 states or D.C.; and be the petitioner for admission of the immigrant.)
Effective date: The Attorney General has 90 days to create a new form for support affidavits; effective 60-90 days thereafter. Affidavits of support issued prior to the effective date time will continue to be non-enforceable.
School Lunch and School Breakfast
School lunch and school breakfast are available to all immigrants regardless of status. States may provide certain other nutrition programs to immigrants not considered "qualified aliens" under the bill.
Illegal Immigrants
Illegal immigrants, those who are not "qualified aliens" are barred from the following **federal** public benefits: a) grants, contracts, loans, licenses and b) retirement, welfare, health, disability, public or assisted housing, post secondary education, food assistance, unemployment benefit provided to an individual, household, or family by the U.S. or by appropriated funds of the U.S.
States may not provide **state or locally funded benefits** to unqualified immigrants (except non-immigrants or parolees for their first year in the U.S.) unless the state enacts a law.
Exceptions (federal, state and local):

- emergency medical assistance under Medicaid, if eligibility requirements under the state plan are met. (Under the conference report language, the conferees do not intend that emergency medical services include prenatal or delivery care that is not strictly of an emergency nature.)
- short-term, non-cash, in-kind emergency disaster relief
- public health (not including Medicaid) for immunizations and for testing and treatment of symptoms of communicable diseases
- programs identified by the Attorney General which deliver in-kind services at the community level, do not condition assistance on the individuals' income or resources; and are necessary for the protection of life or safety (such as soup kitchens, short-term shelter), and
- federal housing or community development assistance for current recipients.

Reporting, Verification, Cooperation With INS

Reporting under Title IV of Social Security Act: Requires agencies that administer SSI, housing assistance, or TANF to report quarterly to the INS the names and addresses of individuals they know are unlawfully in the U.S.

Verification: The Attorney General with the Secretary of HHS must issue regulations within 18 months requiring verification that the alien applying for public benefits is a qualified alien and eligible for such benefit. States administering federal public benefits must comply with the verification system within 24 months. Authorizes "such sums as may be necessary" to carry out this section.

Cooperation: No state or local government entity may be prohibited or restricted from communicating information to the INS about the immigration status of an alien in the U.S.

Definitions

"**Qualified aliens:"** lawful permanent residents, refugees, asylees, parolees after 1 year; and those whose deportation is withheld. (Note: withholding of deportation is similar to political asylum.)

Federal means-tested public benefits: a public benefit including cash, medical, housing, and food assistance and social services of the Federal government in which the eligibility of an individual, household, or family eligibility unit for benefits, or the amount of such benefits, are determined on the basis of income, resources, or financial need of the individual, household, or unit. Although this definition was deleted from the bill under the Byrd rule, "it is the intent of the conferees that this definition be presumed to be in place for purposes of this title."

State public benefits: any means-tested public benefits of a state or locality under which the state or locality specifies the standards for eligibility, and does not include any federal public benefit. Although the original definition was deleted due to the Byrd rule, "it is the intent of House and Senate conferees that the ... definition be used by states" in carrying out the authority under this section (state authority to limit eligibility of qualified aliens for state public benefits).

VI. SUPPLEMENTAL SECURITY INCOME (SSI) (Title II)

SSI for Children: Upon enactment, a new disability standard for new and pending applications will be established. The new standard will eliminate the comparable severity standard, the individual functional assessment, and references to maladaptive behavior. Within one year of enactment, the Social Security Administration must redetermine the eligibility of current beneficiaries based on the new definition. Recipients made ineligible due to the elimination of the reference to maladaptive behavior and the elimination of individual functional assessments

will receive first priority in the review and redetermination process. Current beneficiaries found ineligible under the new SSI definition will not lose their benefits before July 1, 1997.

Continuing Disability Reviews (CDR): Reviews for continued eligibility will be conducted for low birth weight children within one year of birth, and at least every three years for children under age 18. Representative payees for children will be required to present evidence at the time of the CDR that the child is receiving treatment to the extent considered necessary and available for his or her condition. Eligibility will be redetermined, using the adult criteria, within one year of a recipient turning age 18. An additional $150 million in FY 1997 and $100 million in FY 1998 is authorized and appropriated to conduct SSI CDRs and redeterminations.

Restrictions on Benefits:

- Cash benefits for privately insured, institutionalized children will be limited to $30 per month.
- Retroactive SSI benefits must be placed in a dedicated savings account and used only for education or rehabilitation related services.

Maintenance of Effort Requirement: The maintenance of effort requirements applicable to optional State programs for supplementation of SSI benefits remain in effect.

VII. CHILD PROTECTION (Title V)

The conference report drops most of the provisions contained in earlier versions of the bill on child protection including the child protection block grant; the child and family services block grant; provisions on removal of barriers to interethnic adoption; and the adoption tax credit. It retains current law for Titles IV-E, IV-B and Child Abuse Prevention and Treatment Act (CAPTA) state grants and discretionary programs; Community-Based Family Resource Program grants; Adoption Opportunities program; the Abandoned Infants Assistance Act; the Temporary Child Care for Children with Disabilities and Crisis Nurseries Act; and the family support centers grants under the McKinney Homeless Assistance Act. The bill does not include an optional block grant for foster care. [Note: Provisions on removal of barriers to interethnic adoption and an adoption tax credit are included in a minimum wage increase/tax measure adopted by the House and Senate.]

Title IV-E Eligibility: States are required to use the IV-A rules and requirements in effect as of *June 1, 1995* under their state plan to determine eligibility for Title IV-E

Child Welfare Information Systems: The bill extends the deadline for enhanced funding (75 percent FFP) for Statewide Automated Child Welfare Information Systems (SACWIS) for one year, from October 1, 1996 to October 1, 1997. With no changes to current law for child abuse and child protection programs, there are, of course, no changes to data reporting requirements under the Adoption and Foster Care Analysis and Reporting System (AFCARS) and the National Child Abuse and Neglect Data System (NCANDS).

For Profit Providers: The bill amends current law (Section 472(c)(2)) to allow states to use Title IV-E dollars for for-profit providers to care for children in foster care.

Kinship Care: Adds the following new element under the Title IV-E Foster Care and Adoption Assistance State Plan as follows: "provides that the State shall consider giving preference to an adult relative over a non-related caregiver when determining a placement for a child, provided that the relative caregiver meets all relevant State child protection standards."

National Random Sample Study of Child Welfare: The bill authorizes the Secretary to conduct a national study based on random samples of children who are at risk of child abuse or

neglect, or are determined by states to have been abused or neglected, and such other research as may be necessary.

VIII. FOOD STAMP PROGRAM (Title VIII)

Program Structure:

- The Food Stamp Program retains its current structure as an uncapped, individual entitlement.
- States will not have the option to choose a food stamp block grant and alter the structure of the program.
- New provisions are effective upon enactment, with the exception of some budgetary changes which are effective October 1, 1997.
- The legislation reauthorizes the program through FY 2002.

New Work Requirement: Able-bodied recipients age 18-50 with no dependents are ineligible for food stamps unless they meet a new work requirement. These individuals may receive food stamp benefits for only three months in every 36 month period unless they are engaged in work or work programs. However, if the recipient finds work and then loses his or her job, an additional three months of benefits are allowed once in the three year period. "Work" includes participating in a work program 20 hours or more a week, averaged monthly. Qualifying work programs include programs under JTPA or the Trade Adjustment Assistance Act, state or local programs approved by the Governor (including a food stamp E&T program), and workfare. Job search or job search training programs do not qualify. Upon request from a state, the Secretary may waive the work requirement for individuals who reside in an area in the state which has an unemployment rate over 10% or in an area that does not have sufficient number of jobs to provide employment for the individuals.

Employment and Training: States will have greater flexibility to run the Food Stamp Employment and Training Program. Funding will increase gradually, totaling $79 million in FY 1997, and rising to $90 million in FY 2002. The program must be carried out through a statewide workforce development system unless the component is not available locally through such a system.

Simplified Food Stamp Program: State may operate a "simplified food stamp program" for households in which one or more members receive assistance under the TANF Block Grant. The simplified program allows for a single set of rules and procedures to determine eligibility, and benefits for food stamps, and standardizes the deductions between programs. A state's simplified plan may not increase costs to the federal government. If it does, the state must enter into and carry out a corrective action plan, or the Secretary must terminate the state's simplified program. States will not be required to collect information on households not in the simplified program; the Secretary may approve alternative accounting periods in making cost determinations; and states may include in the program households with one or more non-TANF members if approved by the Secretary.

Waiver Authority: The conference agreement includes broad new waiver authority allowing states to request waivers for welfare reform, work, or multi-program conformity projects, with some restrictions. The major restrictions include: no new cash-out projects; no transfer of food stamp or employment and training funds to other assistance programs; no non-time-limited projects; a limitation to 15% of the caseload and five years duration if the project would reduce benefits by more than 20% for more than 5% of households in the project; no adverse effect on

certain vulnerable populations nor on certain rights and procedures in the Food Stamp Act; no conditions based on "behavioral" activity such as a family cap or benefit time limit; and no waivers of provisions in the Simplified Food Stamp Program option.

Deductions from Income: The standard deduction will remain frozen at FY 96 levels ($134 for the 48 states and D.C.). The excess shelter deduction will remain capped at current-law levels through December 31, 1996 ($247 for the 48 states and D.C.), and then rise incrementally (to $300) through FY 2001. Low-Income Home Energy Assistance (LIHEAP) payments will not be counted as income; the homeless shelter allowance is frozen at current levels; and earned income deductions will be disallowed if the earned income is not reported timely.

Adjustment to Thrifty Food Plan: The maximum food stamp benefit will be 100% of the cost of the Thrifty Food Plan rather than at 103% as under current law.

Food Stamp Cash-Out (Employment Initiatives Program): Qualifying states may cash out food stamp benefits to individuals who have worked in unsubsidized employment for at least 90 days, earned at least $350 a month and receive benefits under TANF. Qualifying states are those where at least 50% of the food stamp households also received AFDC during the summer of 1993. States must increase benefits to compensate for state or local food sales taxes faced by these individuals.

Work Supplementation: States may operate a work supplementation or support program where the value of public assistance including food stamps is provided to employers to be used for hiring and paying the recipient.

Reduction of Public Assistance Benefits: Individuals whose benefits are reduced under other means-tested program as a penalty cannot have their food stamp allocation increased. The state may reduce the food stamp allotment of the household by up to 25%.

Child Support: States have the option to disqualify individuals who are delinquent in any payment due under a court order for the support of a child. States may disqualify custodial or noncustodial parents who do not cooperate with the child support program.

Other State Administrative Options: The bill allows states a degree of additional administrative flexibility in several areas. States will no longer be governed by detailed rules for application forms and procedures; they may allow verbal fair hearing withdrawals; and they may use the IEVS system (but not the SAVE system) at their option.

Retention Rates: Changes in the retention rates, allowing states to keep 35% of fraud over-issuance collections and 20% of non-fraud collections.

Quality Control: The final bill leaves present QC law intact. Present QC law will also apply to the Simplified Food Stamp Program option.

Other Administrative Simplifications and Changes:

- The new legislation extends the expedited service timetable from five to seven days, and ends the expedited service for homeless households. Expedited service will still have to be provided to households whose shelter costs exceed their income and resources.
- States may lower the age of the caretaker exemption to three without restriction. A state may lower the age to as low as one only if it requested a waiver to do so, and had the waiver denied prior to August 1, 1996.
- The bill provides other administrative reforms including: allowing 12 month certification periods (24 months for elderly and disabled households) with one contact per year; requiring that later recertification benefits be prorated (rather than issued as a full month);

and allowing states to combine allotments for the first and second months for expedited households applying after the 15th.

IX. CHILD NUTRITION PROGRAMS (Title VII)

Two Tier CACFP Reimbursement Structure: Meal reimbursements for family or group day care homes in the Child and Adult Care Food Program (CACFP) will be restructured into two tiers. Current law rates will continue for family or group day care homes located in areas in which at least 50 percent of the children are in households that are below 185 percent of the poverty level, or are operated by a provider whose income is below 185 percent of the poverty level. Family or group day care homes that do not meet this criteria will receive reduced meal reimbursements. Reimbursement rates will be adjusted on July 1, 1997 and each July 1 thereafter to reflect changes in the CPI.

Summer Food Service Program (SFSP): The bill reduces the SFSP reimbursement rate for breakfasts, lunches, and snacks starting January 1, 1997.

X. ELECTRONIC BENEFIT TRANSFER SYSTEMS (EBT) (Title VIII, Title IX)

Regulation E: All state and local EBT systems are exempt from Regulation E of the Electronic Funds Transfer Act. Regulations regarding benefit replacement and loss liability for food stamps should be similar to those in place for the paper coupon program.

Mandatory EBT systems for Food Stamps: States are required to implement food stamp EBT systems by October 1, 2002, unless waived. Systems must be cost-neutral over the life of the program. Within two years, state EBT systems shall include, to the extent practicable, retailer scanning devices that differentiate between allowable and non-allowable food items.

Other EBT issues: States may charge for replacement cards and may require photos on EBT cards. EBT vendors may not condition their contracts on states buying additional point-of-sale service from them or an affiliate.

XI. CHILD SUPPORT (Title III)

The welfare reform bill contains sweeping revisions of the federal child support statute and restructures the administration of child support into centralized collections and disbursement and nationwide registries. The major points include the following :

Operation of Child Support Systems (IV-D): To receive the TANF block grant, states must operate a IV-D child support program and provide assistance to each child (resident or non-resident) who is either receiving, or formerly received, IV-A assistance, receiving IV-E assistance or Medicaid, or applying for IV-D services.

Assignment and Cooperation: Applicants and recipients (for IV-A/TANF and Medicaid) must assign support rights, including distribution, to the states, and cooperate in good faith by providing the father's name, subject to good cause and other exceptions. States may require additional information and must define these exceptions, taking into account the best interest of the child. If an individual fails to cooperate in establishing paternity or modifying or enforcing a child support order and does not qualify for good cause or another exception established by the state, the state must deduct a minimum of 25 percent from a family's cash assistance grant or may deny the entire amount of cash assistance to the family.

Penalties on states for failure to enforce cooperation: States who do not enforce non-cooperation sanctions will be penalized for up to five percent of the TANF block grant in the next fiscal year.

Distribution of Collections (IV-E and IV-A/TANF): State may either retain the state share or distribute it to recipients. The federal share must be based on the Medicaid rate in effect on 9/30/96. States currently using fill-the-gap budgeting may continue at their option. The state must distribute support in accord with any cooperative agreement between the state and the Indian tribe for families receiving assistance from an Indian tribe.

Distribution of Arrears: Retains current law for support accrued and collected for IV-A and IV-E before 10/1/97. Requires states to distribute post-assistance arrears collected after 10/1/97 to the family before state arrears are reimbursed. Retains current law for pre-assistance arrears collected before 10/1/2000. Requires distribution of pre-assistance arrears collected after 10/1/2000 to the family. States are required to distribute to the family first in the post-assistance period, then the pre-assistance period and then to the assistance period. States are authorized to apply federal tax offset proceeds to the state arrears first.

$50 Disregard: Repeals federal law requiring a disregard or pass-through of the first $50 of any child support payments each month for a family receiving cash assistance. States may continue to disregard support distributed to the family, but the federal government will no longer share in the cost to government. On October 1, 1996, the federal "contribution" to the $50 disregard is repealed. However, a state can not actually discontinue the $50 pass-through until it submits a state plan for the TANF grant. Thus, in the time intervening between October 1, 1996 and a state's plan submission, the state must bear the full cost of the $50 disregard.

Grandparent Liability: State option to enforce support orders against the parents of a minor, non-custodial parent if the custodial parent is receiving TANF/IV-A.

Privacy protection: By 10/1/97, all states must have safeguards to restrict information about the whereabouts of one party to another party if a protective order has been entered, or if release of the information may result in physical or emotional harm to a party. States must also safeguard information about the establishment of paternity, or the establishment or enforcement of a support order.

Current State Automated Systems: The system requirements deadline (required by the Family Support Act of 1988) is extended to 10/1/97 and the 90% enhanced match for these systems is extended for two years (based on the amount approved in the state's advanced planning document (APD) submitted on or before September 30, 1995).

New State Automated Systems/Case Registries: The deadline for new system requirements (after the 1988 requirements) is 10/1/2000 and will be automatically extended by one day for every day regulations are issued late. The regulations are due two years after the enactment of the Act, or on October 1, 1998. The system must transmit withholding orders to employers, monitor payment defaults and use automatic enforcement procedures. It must include a central case registry or linked local registry for IV-D cases, all support orders established or modified in the state after 10/1/98 and payment records.

Federal Case Registry of Support Orders: The national case registry is established as part of the Federal Parent Locator Service. All states must send abstracts to, and match data with, the federal case registry.

State Centralized Collection and Disbursement unit: States are required to operate an automated centralized unit to collect and disburse support payments by 10/1/98. A state may use linked local units if it will not cost more or take more time to establish or operate. States that process payments through the local courts may continue through 9/30/99. Payments must be processed for IV-D cases, interstate IV-D cases, non-IV-D orders initially issued on or after 1/194 and subject to immediate withholding, and non-IV-D orders issued or modified before

10/1/96 and subject to withholding if arrearage occurs. The state disbursement unit shall not be required to convert and maintain in automated form records of payments kept before October 1, 1996.

State Directory of New Hires: Required by 10/1/97. States who have already implemented the directory must conform to federal requirements by 10/1/98, but must report to the Federal Parent Locator Service by 10/1/97. States must conduct data matches between the case registry and new hire directory by 5/1/98. Employers must report new hires within 20 days after the hire or first pay. Employers have the option of using the W-4 form or an equivalent. States may establish an earlier reporting deadline for employers. Multistate employers may report to one state. State option to set employer penalties of less than $25 ($500 for a conspiracy). The deadlines for information are as follows: within five days of receipt, states must enter new hires; within three days of entry to the state directory, states must transmit data to the national directory; and within two days of entry to the state directory, states must send a withholding notice to the employer. A state or local IV-D agency may disclose wage information to contractors.

National Directories of New Hires: By 10/1/97, a National Directory of New Hires is established as part of the Federal Parent Locator Service. Federal employers report to the National Directory of New Hires.

Federal Parent Locator Service (FPLS): The FPLS is expanded to include a National Directory of New Hires (by 10/1/97) and a Federal Case Registry of Support Orders (by 10/1/98). FPLS much match data between the New Hire and Case Registry every two days and report matches to states within two days. Non-custodial parents do not have direct access (only through IV-D agency or courts) and, if a state notifies HHS of reasonable evidence of domestic violence or child abuse, no information will be disclosed. New locate authority includes: establishing parentage; setting, modifying and enforcing support orders; and enforcing child custody and visitation orders.

Income Withholding: States must transmit withholding orders to employers within 2 days and may use electronic means. Employers have 7 business days after payday to send withholding to the state disbursement unit. States must process both IV-D and non-IV-D withholdings through the disbursement unit, but need only send withholding orders in IV-D cases. Employer's principle place of employment determines which state law the employer must comply with in responding to an employee's withholding notice. All non-IV-D orders issued or modified before 10/1/96 are subject to standard withholding procedures if an arrearage occurs without a new hearing (unless the income is subject to immediate withholding).

Paternity Establishment: The paternity establishment percentage (PEP) is increased from 75% to 90%. States between 75-89% must improve 2% to avoid sanctions. States can use either a IV-D or statewide PEP calculation. The Secretary of HHS must develop minimum requirements for states to use in their paternity acknowledgment affidavits rather than develop an affidavit for all states to use. State birth record agencies must offer paternity services and must file paternity orders and acknowledgments. States must publicize procedures for paternity acknowledgment. An acknowledgment becomes a legal finding of paternity in 60 days unless challenged. After 60 days, limited challenges are permitted on the basis of fraud, duress or mistake of fact. States must develop and use an affidavit meeting minimum national standards developed by HHS. Full faith and credit must be given to other state affidavits.

Birth Certificates: Father's name can only be on the birth certificate if both parents sign an acknowledgment of paternity or pursuant to an order. States must give oral and written notice to the parents prior to signature.

New IV-D Agency Authority: The state IV-D agency must have the authority to: order genetic tests; subpoena (and impose penalties for non-compliance) financial and other information to establish, modify or enforce a support order; require all employers to provide information on employment, compensation and benefits of any employee; and to obtain records including vital statistics, taxes, personal property, occupational and professional licenses, employment security and those of the department of motor vehicles, public assistance and corrections.

Contested Paternity Establishment Procedures: States must pay for state-ordered tests (subject to recoupment from the father). States must admit accredited genetic tests into evidence without foundation and may limit objections to test results to a specific number of days after receipt of results. Medical and testing bills also must be admissible without a foundation and are prima facie evidence. States must create a rebuttable presumption of paternity upon genetic tests indicating a threshold probability of paternity. States may make this a conclusive presumption at their option. The putative father may initiate a paternity action. However, he has no right to a jury trial.

Technical Assistance: HHS will use 1% of the federal share of child support collections effective October 1, 1996 to provide technical assistance to states.

Simplified Process for Review and Adjustment: State reviews of both public assistance and non-public assistance child support cases are optional unless they are requested by the parents.

Work Requirements for Parents Owing Past-Due Child Support: The final bill continues to include language clarifying that administrative processes may be used to issue orders to pay past-due support according to a plan or for participating in work activities.

Child Support and Indian Tribes: States can enter into cooperative agreements with tribes. The Secretary may make direct federal payments to tribes with approved IV-D plans. These payments would not count against a state IV-D agency's federal funding.

Food Stamps and Child Support Cooperation: States have the option to require custodial parents to cooperate with establishing paternity and in obtaining support in order to receive food stamp benefits, with a good cause exemption. States also have the option to require noncustodial parents to cooperate with the child support program to establish paternity and provide support for the child as a condition of receiving food stamp benefits, with the Secretary of Agriculture, in consultation with the Secretary of HHS, developing guidelines on what constitutes a refusal to cooperate. There is a state option to disqualify noncustodial parents with arrearages from receiving food stamp benefits during any period the person has unpaid liability. States may not disqualify noncustodial parents from receiving food stamps if a court is allowing the individual to delay payment or if the individual is complying with a court or state IV-D agency payment plan.

Denial of Passports: By Oct. 1, 1997, cases with a $5,000 arrearage are subject to passport revocation.

Medical Support Orders: ERISA definition of medical support orders must include administrative orders as of date of enactment. The date for plan amendments for ERISA is Jan. 1, 1997. All IV-D orders must include health care coverage and notice to the new employer is sufficient to enroll the child in the absent parent's health plan, unless it is contested.

Grants for Access and Visitation: The first year in which grants for access and visitation projects are allowed is FY 1997.

Uniform Interstate Family Support Act: States must adopt UIFSA (as amended to require employers to follow the procedural laws of the state where the employee works) by 1/1/98.

States must accord full faith and credit to out-of-state orders and liens. For interstate cases, federal income withholding, liens, and subpoena forms must be used.

Other Interstate Issues: States may electronically request interstate enforcement without transferring the case. States have 5 days to respond to an interstate request for enforcement and maintain records. States must accept requests from reciprocating foreign countries (as defined by the Secretary of State).

Statewide Jurisdiction: All paternity and support proceedings must exert statewide jurisdiction over the parties and transfer the case between local jurisdictions.

Review and Adjustment: States must review and adjust support orders at least every 3 years or based upon substantial change in circumstances: 1) upon the request of either parent, or 2) if there is a IV-A assignment upon the request of either parent or the IV-D agency. States may either review and adjust orders on a case-by-case basis, apply a cost-of-living adjustment (with an opportunity for review) or conduct automated reviews. States must notify their IV-D caseload of their right to review at least every 3 years.

Authority to Suspend Licenses: States must have in effect laws that establish authority to withhold, suspend or restrict driver's, professional, occupational and recreational licenses of individuals who owe over due support or fail, after notification, to comply with subpoenas or warrants. The statute references the use of these laws in appropriate cases.

Other Enforcement Procedures: States must record social security numbers on driver's, professional, occupational and marriage applications, divorce decrees, paternity and support orders and death certificates. Pursuant to an administrative subpoena, states must obtain access to the records of cable companies, utilities and financial institutions. States must report arrearage to credit bureaus. Credit bureaus must furnish reports to IV-D agencies. States must seize lump sums from workers' and unemployment compensation, lotteries, judgments and settlements, attach assets in financial institutions and retirement funds, force the sale of property and impose liens, which must arise by operation of law. States are required to give full faith and credit to liens which arise in another state. The new state's procedural rules must be followed, except that the rules may not require judicial notice or hearing prior to enforcement of a lien.

Other Effective Dates: The Secretary, after consulting with state IV-D directors, must issue forms for states to use for collecting child support through income withholding, imposing liens, and issuing administrative subpoenas by Oct. 1, 1996; states must begin using the forms by March 1, 1997. In consultation with IV-D directors, the HHS Secretary must develop a new revenue-neutral, performance-based incentive system to replace the current IV-D incentive system for funding by March 1, 1996. The effective date for implementing the new incentive adjustments formula is October 1, 1999. Where state laws or state plans must be amended, the effective date unless otherwise mentioned, is 10/1/96 for state plans or the first day of the first quarter after the close of the first regular legislative session after enactment for state laws. There is additional time for state constitutional amendments, if needed.

Data Collection and Reporting: HHS must establish uniform data definitions and effective October 1, 1997, collect data on current support and arrears, unpaid support, former Medicaid cases and number of TANF/IV-A cases that became ineligible due to received child support.

Audit: 12 months or more after enactment, HHS will audit state data quality and financial management every 3 years.