

TITLE X -- EFFECTIVE DATES

SEC. 1001. EFFECTIVE DATES.

(a) In General. -- Except as otherwise provided and subject to subsection (b), the amendments and repeals made by this Act, other than title VI, shall become effective with respect to periods beginning on or after October 1, 1995.

(b) The Secretary of Health and Human Services may, upon the request of a State, delay the effective date prescribed by subsection (a) with respect to such State upon a showing of circumstances beyond the State's control, but such extension may not extend beyond October 1, 1996.

(c) Notwithstanding any other provision of law, no State shall be found to have failed to comply with any requirement imposed on such State's programs by or pursuant to the amendments made by titles I and II of this Act by reason of its failure to have such program (or requirements) in effect Statewide if such program is in effect Statewide not later than 2 years after the effective date specified in subsection (a), or 2 years after such later date as is approved by the Secretary pursuant to subsection (b).



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 30, 1994

MEMO TO : DONNA SHALALA

FROM: Belle Sawhill *BS*

RE: Where are the Jobs?

At a recent meeting you asked me to send you something on this question. The attached is a somewhat beefed up version of talking points we have all been using and that reflects input from CEA, OMB, and your own staff.

CC: Bane
Ellwood
Reed
Way
Benami

Welfare Reform Working Group
Talking Points: Where are the jobs?
June 28, 1994

"But to all those who depend on Welfare, we should offer ultimately a simple compact. We will provide the support, the job training, the child care you need for up to two years, but after that anyone who can work, must, in the private sector wherever possible, in community service if necessary. That's the only way we'll ever make welfare what it ought to be: a second chance, not a way of life."
President Clinton, State of the Union address 1/25/94.

Many AFDC recipients already leave welfare for unsubsidized employment. Currently, 70 percent of recipients leave welfare within two years and 90 percent leave within five years. Women leave to enter work in fully half of these cases. But child care dilemmas, health crises, and low wages now cause most women who leave welfare to eventually return.

The child care and child support improvements in our plan, along with the Earned Income Tax Credit and health care, will eliminate the major obstacles to employment. Our plan provides a year of transitional child care for women moving from welfare to work, in addition to increasing child care for the working poor to bolster families just above the poverty line. The expanded EITC will lift millions of workers out of poverty by effectively making any minimum wage job pay \$ 6.00 an hour for a typical family with two children. A full-time working mother with two children will have an after-tax income of almost \$14,000 even if she works at a minimum wage job. Since most AFDC mothers work at wages that are a dollar or two above the minimum, they will typically have incomes in the neighborhood of \$16,000 to \$18,000 a year. And universal health care will allow people to leave welfare without worrying about coverage for their families.

Positions will be available for women moving off welfare. The Bureau of Labor Statistics predicts rapid job growth over the next 20 years, with employment increasing by more than 25 million jobs by the year 2005. At least 10 of the 15 occupations expected to grow most quickly do not require advanced education. In addition, because of normal turnover, there are at least 30 million job openings a year, a very large proportion of them in entry-level jobs. Welfare recipients will represent less than 5 percent of the women who find new entry-level jobs every year.

In addition, by the year 2000, we will be creating 400,000 subsidized jobs. These positions will be available for those who hit the time limit without finding unsubsidized employment.

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Talking Points

Where are the jobs?

Transitional education and training programs will prepare recipients for the workplace and increase long-term earnings potential. President Clinton's plan requires all teen parents to finish high school and all recipients to participate in training and work preparation through the JOBS program. This approach builds on successful state and local models. In California, for example, JOBS participants' earnings increased an average of 24 percent over the control group average after the second year--55 percent at one site.

Even a minimum-wage job is an important step toward self sufficiency. As women gain job skills, work experience--faith in themselves--they will progress to better-paying jobs and real financial stability.

WELFARE REFORM HIGHLIGHTS

Asset Development and Microenterprise

The President's welfare reform plan takes several steps to assist people on welfare who are trying to become independent by starting their own business and to help low income families accumulate savings as a way out of poverty.

1. Encourage Savings and Asset Accumulation

Asset accumulation is one route out of poverty, yet current welfare rules require people to spend all their savings to be eligible for help. These rules are counterproductive, forcing people to sell cars they need to get to work and to give up whatever they may have saved to put a child through school. People who need help should be encouraged, not discouraged from saving for a home, further education or to start a business. Therefore, the Clinton plan:

- raises the limit on assets for eligibility from \$1000 to \$2000
- permits recipients to establish Individual Development Accounts in which they can save up to \$10,000 to pay for further education, to invest in a home or in a business
- raises the limit on the equity value of an automobile from \$1000 to \$3500, the equivalent of \$4500 of market value (used in Food Stamps). The limit is also indexed for inflation.

2. Make it Easier to Start a Business

One way for some people to leave welfare and become self-sufficient is to turn a hobby such as providing child care, making jewelry or styling hair into a business. Microenterprise and self-employment programs throughout the country have successfully helped many people make the transition from welfare to independence. To make this a more viable option, the Clinton plan:

- requires the Secretaries of HHS and Agriculture to develop regulations jointly that provide for the exclusion of resources to be used for self-employment from the asset determination for eligibility
- makes microenterprise and self-employment eligible activities under both the JOBS and WORK programs
- commits to future regulatory changes to make income rules work better for the self-employed

3. Demonstrations

In addition to the national changes to the welfare program described above, the Clinton plan contains two demonstrations in the area of asset development and microenterprise:

Individual Development Accounts

The plan proposes a \$100 million demonstration of a program to encourage savings by providing matching grants to people on welfare who work and save money for qualified purposes (buying a home, paying for education, and starting a business). The demonstration will evaluate the impact on savings rates of varying levels of matching bonuses and whether encouraging asset development helps people to get off welfare and become self-sufficient faster. The demonstration builds on bills offered previously by Rep. Tony Hall and Sen. Bill Bradley.

Microenterprise

The plan also contains a \$40 million, five year demonstration of the effectiveness of various models of promoting self-employment and microenterprise development among low-income individuals including those in the new time-limited welfare program. This will represent the first effort by the federal government to perform a rigorous, randomized evaluation of the potential of such programs, and to compare different approaches that provide minimal and intensive technical assistance.



DEPARTMENT OF HEALTH & HUMAN SERVICES

Kathi Way
Office of the Secretary

Washington, D.C. 20201

MEMORANDUM TO: Mary Jo Bane
David Ellwood
Bruce Reed
Ken Apfel
Mary Bourdette
Emily Bromberg
Lavinia Limon
Naomi Marr
John Monahan
Howard Rolston
Ann Rosewater
Isabel Sawhill
Melissa Skolfield
Rich Tarplin
Michael Wald
Kathi Way
Fran White
FNS -- Mike Fishman/Bonny O'Neil
DOL -- Isaac Shapiro/Mark Morin

SUBJECT: Technical Changes to the Work and Responsibility
Act of 1994

FROM: Wendell Primus *wp*

DATE: August 17, 1994

Over the past several weeks we have been drafting testimony and Questions and Answers and preparing for hearings and meetings with interested parties. It has become clear that, as is always the case with a bill of this length and complexity and despite everyone's best efforts, some technical errors were made in the late-night editing of the bill. These "errors" range from punctuation to slight inconsistencies between the legislative language and the specifications. In addition, analyses of the impacts of the proposal prepared by individual states and intergovernmental groups have highlighted some potentially unintended effects of the language as written.

I would like to use the next two weeks, when these issues are still fresh on our minds, to carefully review the bill language and the specifications for any technical corrections that should be made. Please forward any recommendations for technical changes to John Wolff on my staff by September 1, 1994. He can be reached by phone at (202) 690-7507, or fax at 690-6562. My staff will compile the suggested changes and present them to the co-chairs for review.

STATE OPTIONS IN THE WELFARE REFORM PROPOSAL

CHILD SUPPORT ENFORCEMENT PROPOSAL

- I. ESTABLISH AWARDS IN EVERY CASE
 - A. Financial Incentives for Paternity Establishment
 - B. Streamlining the Paternity Establishment Process
 - i. Paternity Outreach
 - C. Administrative Authority to Establish Orders Based on Guidelines
- II. ENSURE FAIR AWARD LEVELS
 - A. Modifications of Child Support Orders
 - B. Distribution of Child Support Payments
- III. COLLECT AWARDS THAT ARE OWED
 - A. State Role
 - i. Option for Integrated State Registry
 - ii. Centralized Collection and Disbursement Through a State Central Payment Center
 - B. Other Enforcement Measures
 - i. Verification of Social Security Numbers
 - C. Funding
 - i. Revolving Loan Fund
- IV. GUARANTEEING SOME LEVEL OF SUPPORT – CHILD SUPPORT ASSURANCE DEMONSTRATIONS
- V. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NON-CUSTODIAL PARENTS
 - A. JOBS participation
 - B. WORK participation

PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY

- I. RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE
 - A. Limiting AFDC Benefits to Additional Children while on AFDC
 - B. Case Management for All Custodial Teen Parents
- II. MAKE WORK PAY
 - A. Child Care
 - i. Program Simplification/Consistency Issues
 - ii. Continuity of Care

- B. Permitting Publicly Administered Advanced EITC Payment System
- C. Earned Income Disregards

III. INFORMATION SYSTEMS

- A. Automated, Statewide, AFDC Case Management Information System
- B. Automated, Statewide, Child Care Case Management Information System
- C. Automated, JOBS/WORK, Case Management System
 - i. Improving Government Assistance
 - a. Filing Unit
 - b. Optional Retrospective Budgeting
 - c. Recovery of Overpayments Through Federal Tax Intercept
 - ii. Regulatory Revisions
 - a. Boarder Income
 - b. Verification

JOBS, TIME LIMITS AND WORK

- I. EFFECTIVE DATE AND DEFINITION OF PHASED-IN GROUP
- II. EMPLOYABILITY PLAN
- III. PRE-JOBS
- IV. SUBSTANCE ABUSE AND ASSIGNMENT TO PRE-JOBS
- V. TEEN PARENTS
- VI. JOBS SERVICES AVAILABLE TO PARTICIPANTS
 - A. Up-Front Job Search
- VII. MINIMUM WORK STANDARD
 - A. JOBS Participation for the Not-Phased-In-Group
- IX. JOBS FUNDING
- X. TRANSITION TO WORK
 - A. Worker Support
- XI. WORK FUNDING
- XII. WORK ELIGIBILITY CRITERIA AND APPLICATION PROCESS
- XIII. ALLOCATION OF WORK ASSIGNMENTS/INTERIM ACTIVITIES
- XIV. SUPPORTIVE SERVICES/WORKER SUPPORT

XV. SANCTIONS/PENALTIES (JOBS AND WORK)

A. JOBS Sanctions

B. Ineligibility for a WORK Assignment

XVI. TRAINING AND EMPLOYMENT FOR NON-CUSTODIAL PARENTS

WELFARE REFORM PROPOSED LEGISLATIVE SPECIFICATIONS

I. PERFORMANCE MEASURES PROPOSAL

A. Expanded Mission for Quality Control System

II. INFORMATION SYSTEMS AND INFRASTRUCTURE

A. Enhanced State Systems

B. Legislative Specifications

i. Automated, Statewide, Child Care Case Management Information System

ii. Automated, JOBS/WORK Case Management Information System

ADMINISTRATION OF JOBS/WORK

I. OVERALL ADMINISTRATION

III. OTHER AREAS OF RESPONSIBILITY

Memorandum

May 24, 1994

TO: Kathi Way

FROM: Jessica Aldrich

RE: State Options in the Welfare Reform Proposal

CHILD SUPPORT ENFORCEMENT PROPOSAL

I. ESTABLISH AWARDS IN EVERY CASE

Financial Incentives for Paternity Establishment

At State option, States may experiment with programs that provide financial incentives to parents to establish paternity. Such programs, upon approval of the Secretary, will be eligible for FFP. The Secretary will additionally authorize up to three demonstration projects whereby financial incentives are provided to parents for establishing paternity.

Streamlining the Paternity Establishment Process

Paternity Outreach

(Under the proposal) States will be required to implement outreach programs promoting voluntary acknowledgement of paternity through a variety of means including, but not limited to, the distribution of written materials at schools, hospitals, and other agencies. States are also encouraged to establish pre-natal programs for expectant couples, either married or unmarried, to educate parents on their joint rights and responsibilities in paternity. **At State option, such programs could be required of all expectant welfare recipients;**

Administrative Authority to Establish Orders Based on Guidelines

States must have and use simple administrative procedures in IV-D cases to establish support orders so that the IV-D agency can impose an order for support (based upon State guidelines) in cases where:

* in cases of separation where a parent has applied for IV-D services and there is not a court proceeding pending for a legal separation or divorce. **At State option, States may extend such authority to all cases of separation and divorce, but they are not required to do so.**

II. ENSURE FAIR AWARD LEVELS

Modifications of Child Support Orders

States shall have and use laws that require the review and adjustment of all child support orders included in the State Central Registry once every three years. The State shall provide that a change in the support amount resulting from the application of guidelines since the entry of the last order is sufficient reason for modification of a child support obligation without the necessity of showing any other change in circumstances. **(States may,**

at their option, establish a threshold amount not to exceed 5 percent since entry of the last order.)

States may set a minimum timeframe that runs from the date of the last adjustment that bars a subsequent review before a certain period of time elapses, absent other changed circumstances. Individuals may request modifications more often than once every three years if either parent's income changes by more than twenty percent.

Distribution of Child Support Payments

Treatment of Child Support for AFDC Families – State Option

With the exception of the \$50 pass-through, states may not pay current child support directly to families who are AFDC recipients. Instead child support payments are paid to the State and are used to reimburse the State for AFDC benefit payments. Many States have found that both AFDC recipients and noncustodial parents misunderstand and resent child support being used for state debt collection. Under waiver authority, Georgia has undertaken a demonstration to pay child support directly to the AFDC family and a number of other States have expressed interest in this approach. **The proposal will allow states the option to pay child support directly to the AFDC family, thereby allowing States to choose the distribution policy that will work best in their state.** The AFDC benefit amount is reduced in accordance with state policy to account for the additional family income. This policy change makes child support part of a family's primary income and places AFDC income as a secondary source of support.

1. At State option, States may provide all current child support payments made on behalf of any family receiving AFDC must be paid directly to the family (counting the child support payments as income).

III. COLLECT AWARDS THAT ARE OWED

STATE ROLE

Option for Integrated State Registry

States may, at their option, maintain a unified, integrated registry by connecting local registries through computer linkage. (Local registries must be able to be integrated at a cost which does not exceed the cost of a new single registry.) Under this option, however, the State and State staff must still perform all of the activities described herein for central registries and must maintain a State Central Payment Center for collection and disbursement of payments.

Centralized Collection and Disbursement Through a State Central Payment Center

States may form regional cooperative agreements to provide the collection and disbursement function for two or more States through one "drop box" location with computer linkage to the individual State registries.

OTHER ENFORCEMENT MEASURES

Verification of Social Security Numbers

In order to enforce orders of support more effectively, States must have and use laws that provide IV-D agency administrative authority to carry out the enforcement functions described below without the necessity of court approval..:

(1) automatically impose administrative liens on all nonexempt real and titled personal property if arrearages equal two months' worth of support (**less than two months' worth at State option**); the liens shall cover all current and future support arrearages and shall have priority over all other creditors' liens imposed after the child support liens' imposition; in appropriate cases the agency shall have the power to freeze, seize, sell and distribute encumbered or attached property.

In addition the State must have and use laws that:

(1) require the withholding or suspension of professional or occupational licenses from noncustodial parents who owe past-due child support or are the subject of outstanding failure to appear warrants, capias, and bench warrants related to a parentage or child support proceeding;

(a) the State shall determine the procedures to be used in a particular State and determine the due process rights to be accorded to obligors.

(b) the State shall determine the threshold amount of child support due before withholding or suspension procedures are initiated.

(2) suspend the drivers licenses, including any commercial licenses, of noncustodial parents who owe past-due child support:

(a) the suspension shall be determined by the IV-D agency, which shall administratively suspend licenses. The State shall determine the due process rights to be accorded the obligor, including, but not limited to, the right to a hearing, stay of the order under appropriate circumstances, and the circumstances under which the suspension may be lifted;

(b) the State shall determine the threshold amount of child support due before withholding or suspension procedures are initiated.

FUNDING

Revolving Loan Fund

(1) The Federal government through OCSE shall provide a source of funds appropriated up to \$100 million to be made available to States and their subdivision to be used solely for short-term, high-payoff operational improvements to the State child support system. Projects demonstrating a potential for increases in child support collections will be submitted to the Secretary on a competitive basis. Criteria for determining which projects to fund shall be specified by the Secretary based on whether adequate alternative funding already exists, and whether collections can be increased as a result. Within these guidelines, **States shall have maximum flexibility in deciding which projects to fund.**

(2) Funding will be limited to no more than \$5 million per State or \$1 million per project, except for limited circumstances under which a large State undertakes a statewide project, in which case the maximum for that State shall be \$5 million for the project. **States**

may supplement Federal funds to increase the amount of funds available for the project and may require local jurisdictions to put up a local match.

IV. GUARANTEEING SOME LEVEL OF SUPPORT – CHILD SUPPORT ASSURANCE DEMONSTRATIONS

(1) Congress will authorize and appropriate funds for three CSA demonstration programs:

(a) As part of the demonstrations, some States will have the option of creating work programs so that noncustodial parents could work off the support if they have no income.

(2) The child support assurance criteria for the State demonstration programs will require that:

(a) the CSA program shall be administered by the state IV–D agency, or at state option, its department of revenue; in order to be eligible to participate in the CSA program, States must ensure that their automated systems that include child support cases are fully able to meet the CSA program's processing demands, timely distribute the CSA benefit, and interface with an in-house (or have on-line access to a) central statewide registry of CSA cases.

(b) States are provided flexibility in designing the benefit scales within the following parameters: benefit levels between \$1,500 per year for one child and \$3,000 per year for four or more children and benefit levels between \$3,000 per year for one child and \$4,500 per year for four or more children.

V. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NON-CUSTODIAL PARENTS

JOBS Participation

(1) At State option, up to 10 percent of JOBS program funding could be used for training and work readiness programs for noncustodial parents.

(a) At State option, participation by non-custodial parents could be mandatory or voluntary but the non-custodial parents' children will have to be receiving AFDC or WORK services at the time of referral in order to participate.

Paternity, if not already established, will have to be voluntarily acknowledged prior to participation in the program. Arrears do not have to be accrued in order for non-custodial parents to be eligible to participate. For those parents with no identifiable income, participation could commence as part of the establishment or enforcement process.

(b) States are not required to provide the same JOBS services to custodial and non-custodial parents, although they may choose to do so. The non-custodial parents' participation will not be linked to self-sufficiency requirements or JOBS/WORK participation by the custodial parent.

(c) At State option, the child support obligation could be suspended or reduced to the minimum while the noncustodial parent was participating in JOBS activities which did not provide a stipend or wages sufficient to pay the amount of the current order.

WORK Participation

(1) At State option, up to 10 percent of WORK program funding could be used for work programs and work opportunities for noncustodial parents.

(a) At State option, participation by non-custodial parents could be mandatory or voluntary but the non-custodial parents' children will have to be receiving AFDC/JOBS/WORK services at the time of referral or have arrearages owed to the State for periods when the children were participating in the AFDC/JOBS/WORK program. Paternity, if not already established, will have to be voluntarily acknowledged prior to participation in the program. Arrears do not have to have accrued in order for non-custodial parents to be eligible to participate. For those parents with no identifiable income, participation could commence as part of the establishment or enforcement process.

(b) States will not have to provide all WORK opportunities offered to custodial parents in their non-custodial parents WORK program, although they may choose to do so.

PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY

B. RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE

1. Limiting AFDC Benefits to Additional Children Conceived While on AFDC

(a) Allow States the option of keeping AFDC benefits constant when a child is conceived while the parent is on welfare. This does not apply to a minor mother's child living in a grandparent's household. The family planning services under 402(a)(15) must be provided to all recipients.

(b) Provision will not be applied in the case of rape or in any other cases that the State agency finds would violate the standards of fairness and good conscience.

2. Case Management for All Custodial Teen Parents

(a) Provide States the option to use monetary incentives (which must be combined with sanctions) as inducement for pregnant teens and teen custodial parents who are receiving AFDC and who do not have a high school diploma or GED to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED, or a special skills training program if the State determines this is most appropriate for a recipient. States may also choose to provide incentives for participation in parenting education activities. This option will operate as part of the new JOBS program, and the rules pertaining to JOBS will apply unless it is specifically stated otherwise.

(b) Each State plan must clearly define the following--

*** Sanctions.** Sanctions under the revised JOBS program would apply unless the State proposes alternative sanctions, to be approved by the Secretary, which the State believes better achieves their objectives.

*** Eligibility.** States must include custodial teen parents under 20 years of age and pregnant women under the age of 20. States may choose to include all pregnant teens

and teen parents up to their 21st birthday. States may also choose to include all teens, beyond those who are pregnant or parents.

*** State-wideness. States can limit the geographic scope of this option.**

MAKE WORK PAY

A. CHILD CARE

(1) Program simplification/consistency issues

(a) Have the IV-A child care funds flow directly to the IV-A agency and give the States the explicit option to contract to the CCDBG agency. States would retain the flexibility to have more than one agency involved.

(b) Added to the health and safety standards section are:

--a requirement that the state must have requirements that all children funded under these authorities are immunized at levels specified by PHS. States will be given the flexibility to exclude particular immunizations if they submit an acceptable justification to the Secretary.

(2) Continuity of care

(a) The States will be given the option under the IV-A programs to extend hours and weeks of care for children and required participation of their parents in JOBS, WORK, and employment.

B. PERMITTING PUBLICLY ADMINISTERED ADVANCED EITC PAYMENT SYSTEMS

(a) A State would have the option to propose to the Secretary of the Treasury a demonstration project pursuant to which advance payments of the EITC would be made to eligible residents through a state agency. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Service Offices, State finance and revenue agencies, and so forth. A State may choose only one agency to provide the advance credit.

(b) Where appropriate, States may include in their proposals coordination of advance payments of the EITC and other federal benefits (such as food stamps) through electronic benefit technology.

(c) States would be allowed (but not required) to provide an advanced basis up to 75 percent of the maximum amount of the credit for which the taxpayer is eligible.

C. EARNED INCOME DISREGARDS

(a) States will have the option to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies (i.e., States will have the flexibility to determine which types of income should be considered in developing a fill-the-gap policy, such as child support payments, stipends, etc., in addition to earned income).

(b) The AFDC \$50 pass-through of child support payments will be indexed for inflation in rounded \$10 increments. States will have the flexibility to pass-through additional child support payments above this amount.

INFORMATION SYSTEMS

A. AUTOMATED, STATEWIDE, AFDC CASE MANAGEMENT INFORMATION SYSTEM

B. AUTOMATED, STATEWIDE, CHILD CARE CASE MANAGEMENT INFORMATION SYSTEM

Add new section 402(a)(XX):

The State IV–A agency must have in operation, in accordance with an Advance Planning Document approved under Section 402(e), an economical, effective, and efficient automated case management information system, to:

(A) Allow the State to control, account for, and monitor all programs that provide child care administered under the State plan and, **at its option, to achieve seamless child care delivery, all child care programs of the State, including providing operational systems support necessary for administration of the child care program(s) and managing the non–service related CCDBG funds**, such that automated procedures and processes will allow the state to: (cont.)

C. AUTOMATED, JOBS/WORK, CASE MANAGEMENT INFORMATION SYSTEM

IMPROVING GOVERNMENT ASSISTANCE

1. FILING UNIT

(a) Allow states, at their option, to eliminate the special eligibility requirements for two–parent families (i.e. the 100–hour rule and the work history test). Remove the sunset provision that calls for the termination of AFDC–UP in 1998 and make it a permanent program.

2. OPTIONAL RETROSPECTIVE BUDGETING

(a) Amend the Social Security Act at section 402(a)(13) to delete the clause "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14)". **This technical amendment will make retrospective budgeting optional for States without regard to whether families are required to monthly report.**

3. RECOVERY OF OVERPAYMENTS THROUGH FEDERAL TAX INTERCEPT

A. REGULATORY REVISIONS

1. BORDER INCOME

(a) **Modify AFDC and Food Stamp rules to permit States the option to allow a flat rate, a percentage, or either the maximum allotment for a household of the same size as the number of borders in the thrifty food plan or the actual documented cost, if it is higher than the allotment.** The same procedure would be adopted for each program.

2. VERIFICATION

Regulatory Specifications

(a) Exercise current Secretarial waiver authority and amend regulations so that:

--States may choose the verification systems, methods and time-frames for action;

--States may choose the computer matching activities that are most effective provided that the alternative match or verification process is just as effective as those required IEVS and SAVE; and

--States may verify additional factors of eligibility.

--FNS will continue to have authority to verify additional factors that relate to the Food Stamp program only, such as actual medical costs.

JOBS, TIME LIMITS AND WORK

1. EFFECTIVE DATE AND DEFINITION OF PHASED-IN GROUP

(a) States would have the option to define the phased-in group more broadly (e.d., custodial parents born after 1969, born after 1971 and all first-time applicants), provided the phased-in group included at least the population described in (b) [The phased in group would be defined as custodial parents, including minor custodial parents, who were born after 1971 (in 1972 or later).

2. EMPLOYABILITY PLAN

(a) To resolve disputes (regarding the employability plan) not settled by the intervention in (b), a State may elect one or more of the following processes:

i. **Permit the agency to establish an internal review board to arbitrate disputes.**

This board would have the final say. The Secretary would establish regulations for such boards.

ii. **Permit agencies to employ mediation using trained personnel, rather than arbitration, to resolve the dispute.** HHS would be responsible for providing technical assistance to States that wish to use mediation.

iii. Provide the recipient with a fair hearing contesting whether the State agency had followed the established process for developing the employability plan. A fair hearing could be the exclusive remedy or could be allowed in addition to the procedure in (i) or (ii). (only phased-in recipients required to participate in JOBS would be entitled to a fair hearing.

3. PRE-JOBS

(a) States could provide program services to individuals in the pre-JOBS phase, using JOBS funds, but would not be required to do so. Likewise, States could provide child care or other supportive services to persons in pre-JOBS status but would not be required to do so--there would be no child care guarantee for individuals in pre-jobs. Persons in pre-JOBS status would not be subject to sanction for failure to participate in pre-

JOBS activities. In other words, in order to actually require an individual to participate in an activity, a State would have to classify the individual as JOBS-mandatory.

4. SUBSTANCE ABUSE AND ASSIGNMENT TO PRE-JOBS

Legislative Specifications

(a) States may require persons found not able to engage in employment or training due to substance abuse to participate in substance abuse treatment as a pre-JOBS activity.

(b) Sanctions, equivalent to JOBS sanctions, may be levied for non-participation in treatment, provided such treatment is available to the recipient.

5. TEEN PARENTS

Legislative Specifications

(a) States would be required to provide case management services to all custodial parents under 19 and to 19-year-old custodial parents who did not have a high school degree or the equivalent. States would have the option to provide case management services to a broader population, for example, all custodial parents under 20.

6. JOBS SERVICES AVAILABLE TO PARTICIPANTS

Up-Front Job Search

(a) States would have the option of requiring all job-ready new recipients, including those in the not-phased-in-group, to perform up-front job search. States would also be permitted to require job search from the date of application (as under current law, this requirement could not be used as a reason for a delay in making the eligibility determination or issuing the payment.

7. MINIMUM WORK STANDARD

Legislative Specifications

(a) Months in which an individual met the minimum work standard would not count against the time limit. In an AFDC-UP family, if one parent meets the minimum work standard, neither parent is subject to the time limit.

OPTION A: The minimum work standard would be 30 hours per week, with a State option to reduce the minimum to 20.

OPTION B: The minimum work standard would be 20 hours per week for parents of children under 6 and 30 hours for all others, with a State option to reduce the minimum to 20 hours across the board.

JOBS Participation for the Not-Phased-In Group

(a) States would be given substantial flexibility regarding JOBS services for persons not in the Federally-defined phased-in group (custodial parents born after 1971), as discussed below:

i. A State would be required to serve volunteers from the not-phased-in group to the extent that federal JOBS funding was available (i.e., the State had not drawn down its full JOBS allotment). **States would have the option of subjecting such JOBS volunteers to the time limit.**

ii. States could also require persons in the not-phased-in group to participate in JOBS, but could not apply the time limit to such JOBS-mandatory persons (as opposed to volunteers above). In other words, a State that defined the phased-in group as persons born after 1971 could require a person born in 1968 to participate in JOBS, and sanction such an individual for failure to comply, but that person would not be subject to the time limit. Individuals (not phased-in) who met one of the pre-JOBS criteria could not be required to participate in JOBS.

8. JOBS FUNDING

(a) **A State would be permitted to reallocate an amount up to 10% of its combined JOBS and WORK allotments (WORK allotment from the capped entitlement) from its JOBS program to its WORK program and vice versa.** The amount transferred could not exceed the allotment for the program from which the transfer was made.

(b) If the States were not able to claim all available Federal JOBS and WORK funding (WORK capped entitlement) for a fiscal year, **a State would be permitted to draw down Federal funds for JOBS spending in the excess of its allotment.**

9. TRANSITION TO WORK

(a) **States would have the option of providing an additional month of AFDC benefits to individuals who found employment just as their eligibility for AFDC benefits/JOBS participation ended, if necessary to tide them over until the first paycheck.**

Worker Support

(a) **States would be permitted to use JOBS or WORK funds (from the capped WORK allocation; see below), to provide services designed to help persons who had left the JOBS or WORK programs for employment keep those jobs.**

10. WORK FUNDING

(a) **If, as described in JOBS FUNDING, the States were not able to claim all available Federal JOBS and WORK funding (WORK capped entitlement) for a fiscal year, a State would be permitted to draw down Federal funds for WORK spending for operational costs in excess of its allotment from the capped entitlement.**

11. WORK ELIGIBILITY CRITERIA AND APPLICATION PROCESS

(a) Only one parent in an AFDC-UP family would be required to participate in the WORK program. **States would, however, have the option of requiring both parents to participate.**

12. ALLOCATION OF WORK ASSIGNMENTS/INTERIM ACTIVITIES

(a) **States would have the option of requiring persons who were awaiting WORK assignments to participate in other WORK program activities (e.g., individual or group job search, arranging for child care, self-initiated activities), and to establish mechanisms for monitoring participation in such activities. Persons in this waiting status could include both WORK participants who had completed an initial WORK assignment without finding unsubsidized employment, participants whose assignments ended prematurely for reasons other than the participant's misconduct, and individuals awaiting a hearing concerning misconduct. Individuals who failed to comply with such participation requirements would be subject to sanction as described below (see SANCTIONS).**

13. SUPPORTIVE SERVICES/WORKER SUPPORT

(a) **States would be permitted to make supportive services available to WORK participants who were engaged in approved education and training activities in addition to a WORK assignment or other WORK program activity. In other words, a States could, but would not be required to, provide child care or other supportive services to enable a WORK participant to, for example, also take a vocational education course at a community college.**

14. SANCTIONS/PENALTIES (JOBS AND WORK)

JOBS Sanctions

(a) **A State's conciliation policy (to resolve disputes concerning JOBS participation only) could take one of the following two forms:**

- i. **A conciliation process that meets standards established by the Secretary; or**
- ii. **A process whereby recipients are notified, prior to the issuing of a sanction notice, that they are in apparent violation of a program requirement and that they have 10 days to contact the State agency to explain why they were not in compliance or to indicate their intent to comply. Upon contact from the recipient, the State agency would attempt to resolve the issue and would have the option of not imposing the sanction.**

Ineligibility for a WORK Assignment

(a) The Secretary shall establish regulations defining good cause for each of the following:

- iii. **Dismissal from a WORK assignment. The regulations shall allow a State, subject to the approval of the Secretary, to apply in such instances the definition of misconduct utilized in its unemployment insurance program. (A IV-A agency might be allowed to contract with the State UI hearing system to adjudicate these cases.)**

15. TRAINING AND EMPLOYMENT FOR NON-CUSTODIAL PARENTS

Legislative Specifications

(a) A State could spend up to 15 percent of its JOBS funding and WORK funding (allotment from the capped entitlement) for training, work readiness, and work opportunities for non-custodial parents. The State would have the complete flexibility as to which of these funding streams would be tapped.

i. Additionally, States may submit an application to the Secretary to conduct a random assignment evaluation of its non-custodial program and, if approved, no State match will be required to operate the program. (If the non-custodial program is a multi-site or state-wide program, the State match would be waived in those areas covered by the random assignment evaluation.)

(b) States are not required to provide all the same JOBS or WORK services to custodial and non-custodial parents, although they may choose to do so. Participation in the JOBS program is not a prerequisite for participation in a non-custodial parent work program. The non-custodial parent's participation will not be linked to self-sufficiency requirements or to JOBS/WORK participation by the custodial parent. Non-custodial parents who participate in such programs will, for the purposes of calculating the JOBS participation rate, be included in the numerator but not the denominator.

(c) Payments of stipends for work will be required. Payment of training stipends is allowed. All stipends are eligible for FFP.

i. At State option, the child support obligation can be suspended or reduced to the minimum while the non-custodial parent was participating in program activities which did not provide a stipend or wages sufficient to pay the amount of the current order.

WELFARE REFORM PROPOSED LEGISLATIVE SPECIFICATIONS

PERFORMANCE MEASURES PROPOSAL

Expanded Mission for Quality Control System

(a) States would be required to conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 to 95 percent confidence at the lower limit a method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the system. (This is an option)

INFORMATION SYSTEMS AND INFRASTRUCTURE

Enhanced State Systems

(paragraph 4)

States would have the option to develop their own systems, modify and/or adopt prototype systems developed by the Federal government, or use systems developed by groups of States. A higher match rate would be available to States which adopted a Federal prototype or a system developed by a group of States; otherwise regular administrative match would be available.

Legislative Specifications

Automated, Statewide, Child Care Case Management Information System

(a) Add new section 402(a)(XX): The State agency, at its option, shall have in operation, in accordance with an Advance Planning Document approved under section 402(e), an economical, effective, and efficient automated case management information system, to:

(A) Allow the State to control, account for, and monitor all programs that provide child care administered under the State plan, at its option, to achieve seamless child care delivery, all child care programs of the State, including providing operational systems support necessary for administration of the child care program(s) and managing the non-service related CCDBG funds, such that automated procedures and processes will allow the State to;

(i) identify families and children in need of child care, establish eligibility for child care, and determine funding source(s);

(ii) plan and monitor services, determine payments, and update and maintain the family and child care eligibility status for child care;

(iii) maintain and monitor necessary provider information;

(iv) process payments and meet other fiscal needs for the management of child care program(s); (cont.)

Automated, JOBS/WORK Case Management Information System

(a) Establish a new Subsection 482(j): The State IV-A Agency, at its option, shall have in operation, in accordance with an Advance Planning Document approved under subsection 402(e), an economical, effective, and efficient automated case management information system, to:

(1) Allow the State to control, account for, and monitor all factors of the JOBS and WORK programs..

(2) Support both management and administrative activities of the program..

ADMINISTRATION OF JOBS/WORK

1. Overall administration

(a) Unless the governor designates otherwise, the IV-A agency shall administer JOBS/WORK.

(b) If the IV-A agency retains administration of JOBS, it shall have the option of contracting with another entity to carry out any and all functions related to JOBS/WORK.

2. Other Areas of Responsibility

In States where an entity other than the IV-A agency is responsible for JOBS/WORK, we propose to give States the flexibility to determine how the following functions are carried out. The State plan would have to contain specific information detailing how the State intended to carry out these functions.

- (a) Determining JOBS Prep status**
- (b) Granting extensions to the time limits**
- (c) Providing secondary reviews and hearings on issues specifically related to JOBS or WORK participation.**

Memorandum

May 23, 1994

TO: Kathi Way

FROM: Jessica Aldrich

RE: State Options in the Welfare Reform Proposal

CHILD SUPPORT ENFORCEMENT PROPOSAL

I. ESTABLISH AWARDS IN EVERY CASE

Financial Incentives for Paternity Establishment

(3) **At State option, States may experiment with programs that provide financial incentives to parents to establish paternity.** Such programs, upon approval of the Secretary, will be eligible for FFP. The Secretary will additionally authorize up to three demonstration projects whereby financial incentives are provided to parents for establishing paternity.

Streamlining the Paternity Establishment Process

Paternity Outreach

(2) (Under the proposal) States will be required to implement outreach programs promoting voluntary acknowledgement of paternity through a variety of means including, but not limited to, the distribution of written materials at schools, hospitals, and other agencies. States are also encouraged to establish pre-natal programs for expectant couples, either married or unmarried, to educate parents on their joint rights and responsibilities in paternity. **At State option, such programs could be required of all expectant welfare recipients;**

Administrative Authority to Establish Orders Based on Guidelines

(1) States must have and use simple administrative procedures in IV-D cases to establish support orders so that the IV-D agency can impose an order for support (based upon State guidelines) in cases where:

(3) in cases of separation where a parent has applied for IV-D services and there is not a court proceeding pending for a legal separation or divorce. **At State option, States may extend such authority to all cases of separation and divorce, but they are not required to do so.**

II. ENSURE FAIR AWARD LEVELS

Modifications of Child Support Orders

(1) States shall have and use laws that require the review and adjustment of all child support orders included in the State Central Registry once every three years. The State shall provide that a change in the support amount resulting from the

application of guidelines since the entry of the last order is sufficient reason for modification of a child support obligation without the necessity of showing any other change in circumstances. (States may, at their option, establish a threshold amount not to exceed 5 percent since entry of the last order.)

(2) States may set a minimum timeframe that runs from the date of the last adjustment that bars a subsequent review before a certain period of time elapses, absent other changed circumstances. Individuals may request modifications more often than once every three years if either parent's income changes by more than twenty percent.

Distribution of Child Support Payments

Treatment of Child Support for AFDC Families - State

Option

With the exception of the \$50 pass-through, states may not pay current child support directly to families who are AFDC recipients. Instead child support payments are paid to the State and are used to reimburse the State for AFDC benefit payments. Many States have found that both AFDC recipients and noncustodial parents misunderstand and resent child support being used for state debt collection. Under waiver authority, Georgia has undertaken a demonstration to pay child support directly to the AFDC family and a number of other States have expressed interest in this approach. The proposal will allow states the option to pay child support directly to the AFDC family, thereby allowing States to choose the distribution policy that will work best in their state. The AFDC benefit amount is reduced in accordance with state policy to account for the additional family income. This policy change makes child support part of a family's primary income and places AFDC income as a secondary source of support.

(1) At State option, States may provide all current child support payments made on behalf of any family receiving AFDC must be paid directly to the family (counting the child support payments as income).

III. COLLECT AWARDS THAT ARE OWED

STATE ROLE

Option for Integrated State Registry

(4) States may, at their option, maintain a unified, integrated registry by connecting local registries through computer linkage. (Local registries must be able to be integrated at a cost which does not exceed the cost of a new single registry.) Under this option, however, the State and State staff must still perform all of the activities described herein for central registries and must maintain a State Central Payment Center for collection and disbursement of payments.

Centralized Collection and Disbursement Through a State
Central Payment Center

(5) States may form regional cooperative agreements to provide the collection and disbursement function for two or more States through one "drop box" location with computer linkage to the individual State registries.

OTHER ENFORCEMENT MEASURES

Verification of Social Security Numbers

In order to enforce orders of support more effectively, States must have and use laws that provide IV-D agency administrative authority to carry out the enforcement functions described below without the necessity of court approval...:

(1) automatically impose administrative liens on all nonexempt real and titled personal property if arrearages equal two months' worth of support (**less than two months' worth at State option**); the liens shall cover all current and future support arrearages and shall have priority over all other creditors' liens imposed after the child support liens' imposition; in appropriate cases the agency shall have the power to freeze, seize, sell and distribute encumbered or attached property.

In addition the State must have and use laws that:

(8) require the withholding or suspension of professional or occupational licenses from noncustodial parents who owe past-due child support or are the subject of outstanding failure to appear warrants, capiases, and bench warrants related to a parentage or child support proceeding;

(a) the State shall determine the procedures to be used in a particular State and determine the due process rights to be accorded to obligors.

(b) the State shall determine the threshold amount of child support due before withholding or suspension procedures are initiated.

(9) suspend the drivers licenses, including any commercial licenses, of noncustodial parents who owe past-due child support:

(a) the suspension shall be determined by the IV-D agency, which shall administratively suspend licenses. The State shall determine the due process rights to be accorded the obligor, including, but not limited to, the right to a hearing, stay of the order under appropriate circumstances, and the circumstances under which the suspension may be lifted;

(b) the State shall determine the threshold amount of child support due before withholding or suspension procedures are initiated.

FUNDING

Revolving Loan Fund

(1) The Federal government through OCSE shall provide a source of funds appropriated up to \$100 million to be made available to States and their subdivision to be used solely for

short-term, high-payoff operational improvements to the State child support system. Projects demonstrating a potential for increases in child support collections will be submitted to the Secretary on a competitive basis. Criteria for determining which projects to fund shall be specified by the Secretary based on whether adequate alternative funding already exists, and whether collections can be increased as a result. Within these guidelines, **States shall have maximum flexibility in deciding which projects to fund.**

(2) Funding will be limited to no more than \$5 million per State or \$1 million per project, except for limited circumstances under which a large State undertakes a statewide project, in which case the maximum for that State shall be \$5 million for the project. **States may supplement Federal funds to increase the amount of funds available for the project and may require local jurisdictions to put up a local match.**

IV. GUARANTEEING SOME LEVEL OF SUPPORT - CHILD SUPPORT ASSURANCE DEMONSTRATIONS

(1) Congress will authorize and appropriate funds for three CSA demonstration programs:

(d) **As part of the demonstrations, some States will have the option of creating work programs so that noncustodial parents could work off the support if they have no income.**

(2) The child support assurance criteria for the State demonstration programs will require that:

(a) **the CSA program shall be administered by the state IV-D agency, or at state option, its department of revenue; in order to be eligible to participate in the CSA program, States must ensure that their automated systems that include child support cases are fully able to meet the CSA program's processing demands, timely distribute the CSA benefit, and interface with an in-house (or have on-line access to a) central statewide registry of CSA cases.**

(b) **States are provided flexibility in designing the benefit scales within the following parameters: benefit levels between \$1,500 per year for one child and \$3,000 per year for four or more children and benefit levels between \$3,000 per year for one child and \$4,500 per year for four or more children.**

Additional Demonstrations

(1) At least two additional demonstrations will (be) approved for an advanced minimum child support payment program. Under these demonstrations, States must:

(c) **at State option, States may require the noncustodial parent to work off the support due.**

V. ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR NON-CUSTODIAL PARENTS

JOBS Participation

(1) **At State option, up to 10 percent of JOBS program funding could be used for training and work readiness programs for noncustodial parents.**

(b) At State option, participation by non-custodial parents could be mandatory or voluntary but the non-custodial parents' children will have to be receiving AFDC or WORK services at the time of referral in order to participate. Paternity, if not already established, will have to be voluntarily acknowledged prior to participation in the program. Arrears do not have to be accrued in order for non-custodial parents to be eligible to participate. For those parents with no identifiable income, participation could commence as part of the establishment or enforcement process.

(d) States are not required to provide the same JOBS services to custodial and non-custodial parents, although they may choose to do so. The non-custodial parents' participation will not be linked to self-sufficiency requirements or JOBS/WORK participation by the custodial parent.

(e) At State option, the child support obligation could be suspended or reduced to the minimum while the noncustodial parent was participating in JOBS activities which did not provide a stipend or wages sufficient to pay the amount of the current order.

WORK Participation

(1) At State option, up to 10 percent of WORK program funding could be used for work programs and work opportunities for noncustodial parents.

(b) At State option, participation by non-custodial parents could be mandatory or voluntary but the non-custodial parents' children will have to be receiving AFDC/JOBS/WORK services at the time of referral or have arrearages owed to the State for periods when the children were participating in the AFDC/JOBS/WORK program. Paternity, if not already established, will have to be voluntarily acknowledged prior to participation in the program. Arrears do not have to be accrued in order for non-custodial parents to be eligible to participate. For those parents with no identifiable income, participation could commence as part of the establishment or enforcement process.

(d) States will not have to provide all WORK opportunities offered to custodial parents in their non-custodial parents WORK program, although they may choose to do so.

PREVENT TEEN PREGNANCY AND PROMOTE PARENTAL RESPONSIBILITY

B. RESPONSIBILITIES OF SCHOOL-AGE PARENTS RECEIVING CASH ASSISTANCE

1. Minor Mothers Live at Home

(d) The following exceptions (now in current law) to living with a legal guardian will be maintained:

(iii) the State agency determines that the physical or emotional health or safety of the individual or dependent child would be jeopardized if the individual and dependent child lived

in the same residence with the individual's own parent or legal guardian;

(v) the State agency otherwise determines (in accordance with regulations issued by the Secretary) that there is good cause for waiving the requirement. (In those States that have this policy, the following are examples of what they determine to be good cause exceptions: the home is the scene of illegal activity; returning home would result in overcrowding, violation of the terms of the lease, or violation of local health and safety standards; the minor parent is actively participating in a substance abuse program which would no longer be available if she returned home; no parent or legal guardian lives in the State.)

(f) If the State determines the minor should not live with a parent, legal guardian or other adult relative, the minor must be assisted in obtaining an appropriate supportive alternative to living independently (or the State may determine that the individual's current living situation is appropriate). (The types of living arrangements that States now use or are considering include living with an adult relative, a licensed foster home, in a group home for pregnant teens or teen parents and in an approved congregate housing facility.) If no appropriate setting is found the State must grant eligibility, but must utilize case managers to provide monitoring of the minor.

2. Limiting AFDC Benefits to Additional Children Conceived While on AFDC

(a) Allow States the option of keeping AFDC benefits constant when a child is conceived while the parent is on welfare. This does not apply to a minor mother's child living in a grandparent's household. The family planning services under 402(a)(15) must be provided to all recipients.

(c) Provision will not be applied in the case of rape or in any other cases that the State agency finds would violate the standards of fairness and good conscience.

3. Case Management for All Custodial Teen Parents

(a) Provide States the option to use monetary incentives (which must be combined with sanctions) as inducement for pregnant teens and teen custodial parents who are receiving AFDC and who do not have a high school diploma or GED to enroll (or remain enrolled) in and regularly attend a school or education program leading to a high school diploma or GED, or a special skills training program if the State determines this is most appropriate for a recipient. States may also choose to provide incentives for participation in parenting education activities. This option will operate as part of the new JOBS program, and the rules pertaining to JOBS will apply unless it is specifically stated otherwise.

(b) Each State plan must clearly define the following--

* **Sanctions.** Sanctions under the revised JOBS program would apply unless the State proposes alternative sanctions, to be approved by the Secretary, which the State believes better achieves their objectives.

* **Eligibility.** States must include custodial teen parents under 20 years of age and pregnant women under the age of 20. States may choose to include all pregnant teens and teen parents up to their 21st birthday. States may also choose to include all teens, beyond those who are pregnant or parents.

* **State-wideness.** States can limit the geographic scope of this option.

MAKE WORK PAY

A. CHILD CARE

2. Program simplification/consistency issues

(a) Have the IV-A child care funds flow directly to the IV-A agency and give the States the explicit option to contract to the CCDBG agency. States would retain the flexibility to have more than one agency involved.

(c) Added to the health and safety standards section are:
--a requirement that the state must have requirements that all children funded under these authorities are immunized at levels specified by PHS. States will be given the flexibility to exclude particular immunizations if they submit an acceptable justification to the Secretary.

3. Continuity of care

(a) The States will be given the option under the IV-A programs to extend hours and weeks of care for children and required participation of their parents in JOBS, WORK, and employment.

B. PERMITTING PUBLICLY ADMINISTERED ADVANCED EITC PAYMENT SYSTEMS

(a) A State would have the option to propose to the Secretary of the Treasury a demonstration project pursuant to which advance payments of the EITC would be made to eligible residents through a state agency. Such agencies may include public assistance offices (AFDC and/or Food Stamps), Employment Service Offices, State finance and revenue agencies, and so forth. A State may choose only one agency to provide the advance credit.

(c) Where appropriate, States may include in their proposals coordination of advance payments of the EITC and other federal benefits (such as food stamps) through electronic benefit technology.

(e) States would be allowed (but not required) to provide an advanced basis up to 75 percent of the maximum amount of the credit for which the taxpayer is eligible.

C. EARNED INCOME DISREGARDS

(b) States will have the option to establish their own disregard policies on income above this amount. Additionally, States will have complete flexibility in establishing fill-the-gap policies (i.e., States will have the flexibility to determine which types of income should be considered in developing a fill-the-gap policy, such as child support payments, stipends, etc., in addition to earned income).

(c) The AFDC \$50 pass-through of child support payments will be indexed for inflation in rounded \$10 increments. States will have the flexibility to pass-through additional child support payments above this amount.

INFORMATION SYSTEMS

C. AUTOMATED, STATEWIDE, AFDC CASE MANAGEMENT INFORMATION SYSTEM [Note: "At Option" is written in the margin]

D. AUTOMATED, STATEWIDE, CHILD CARE CASE MANAGEMENT INFORMATION SYSTEM [Note: "State Option" is written in the margin]

Add new section 402(a)(XX):

The State IV-A agency must have in operation, in accordance with an Advance Planning Document approved under Section 402(e), an economical, effective, and efficient automated case management information system, to:

(A) Allow the State to control, account for, and monitor all programs that provide child care administered under the State plan and, at its option, to achieve seamless child care delivery, all child care programs of the State, including providing operational systems support necessary for administration of the child care program(s) and managing the non-service related CCDBG funds, such that automated procedures and processes will allow the state to...

E. AUTOMATED, JOBS/WORK, CASE MANAGEMENT INFORMATION SYSTEM [Note: "State Options" is written in the margin]

IMPROVING GOVERNMENT ASSISTANCE

1. FILING UNIT

(a) Allow states, at their option, to eliminate the special eligibility requirements for two-parent families (i.e. the 100-hour rule and the work history test). Remove the sunset provision that calls for the termination of AFDC-UP in 1998 and make it a permanent program.

2. APPLICATION ISSUES

Vision

To provide applicants with one, simple, easy to read and understand application form for AFDC and food stamps. Expedited processing will be provided for families in emergency need situations. Eligibility will be determined within identical time frames in both programs for both expedited and normal applications. **Flexibility will be given to States for scheduling appointments and verifying information.**

3. OPTIONAL RETROSPECTIVE BUDGETING

(a) Amend the Social Security Act at section 402(a)(13) to delete the clause "but only with respect to any one or more categories of families required to report monthly to the State agency pursuant to paragraph (14)". **This technical amendment will make retrospective budgeting optional for States without regard to whether families are required to monthly report.**

4. RESOURCES

(C) Microenterprise (Self-Employment)

(a) Require the AFDC and Food Stamp programs to disregard from resources of applicants and recipients any portion of the net profit of the microenterprise necessary to fulfill the business plan. **The period of time for the exclusion would be determined by the State agency on the basis of the approved business plan, which would be developed in accordance with criteria established by the State.** States may count establishing and participating in a microenterprise as fulfillment of the JOBS requirement. **(provision may be changed)**

9. RECOVERY OF OVERPAYMENTS THROUGH FEDERAL TAX INTERCEPT

B. REGULATORY REVISIONS

2. BOARDER INCOME

(a) **Modify AFDC and Food Stamp rules to permit States the option to allow a flat rate, a percentage, or either the maximum allotment for a household of the same size as the number of borders in the thrifty food plan or the actual documented cost, if it is higher than the allotment.** The same procedure would be adopted for each program.

5. VERIFICATION

Regulatory Specifications

(a) Exercise current Secretarial waiver authority and amend regulations so that:

--States may choose the verification systems, methods and time-frames for action;

--States may choose the computer matching activities that are most effective provided that the alternative match or verification process is just as effective as those required IEVS and SAVE; and

--States may verify additional factors of eligibility.

--FNS will continue to have authority to verify additional factors that relate to the Food Stamp program only, such as actual medical costs.

JOBS, TIME LIMITS AND WORK

1. EFFECTIVE DATE AND DEFINITION OF PHASED-IN GROUP

(c) States would have the option to define the phased-in group more broadly (e.d., custodial parents born after 1969, born after 1971 and all first-time applicants), provided the phased-in group included at least the population described in (b) [The phased in group would be defined as custodial parents, including minor custodial parents, who were born after 1971 (in 1972 or later)].

3. EMPLOYABILITY PLAN

(g) To resolve disputes (regarding the employability plan) not settled by the intervention in (f), a State may elect one or more of the following processes:

i. Permit the agency to establish an internal review board to arbitrate disputes. This board would have the final say. The Secretary would establish regulations for such boards.

ii. Permit agencies to employ mediation using trained personnel, rather than arbitration, to resolve the dispute. HHS would be responsible for providing technical assistance to States that wish to use mediation.

4. PRE-JOBS

(d) States could provide program services to individuals in the pre-JOBS phase, using JOBS funds, but would not be required to do so. Likewise, States could provide child care or other supportive services to persons in pre-JOBS status but would not be required to do so--there would be no child care guarantee for individuals in pre-jobs. Persons in pre-JOBS status would not be subject to sanction for failure to participate in pre-JOBS activities. In other words, in order to actually require an individual to participate in an activity, a State would have to classify the individual as JOBS-mandatory.

(h) Each State would be permitted to place in pre-Jobs, for good cause as determined by the State, a number of persons up to a fixed percentage of the total number of persons in the phased-in group (which would include adult recipients, minor custodial parents and persons in the WORK program). These good cause assignments to pre-JOBS would be in addition to those meeting the pre-JOBS criteria defined in (f). Good cause could include substantial barriers to employment--a severe learning disability or serious emotional instability. The percentage cap on such good cause placements in pre-JOBS would be set, in statute, at 10%. A State would be able, in the event of extraordinary circumstances, to apply to the Secretary to increase the percentage cap on good cause placements.

5. SUBSTANCE ABUSE AND ASSIGNMENT TO PRE-JOBS

Legislative Specifications

(a) States may require persons found not able to engage in employment or training due to substance abuse to participate in substance abuse treatment as a pre-JOBS activity.

(b) Sanctions, equivalent to JOBS sanctions, may be levied for non-participation in treatment, provided such treatment is available to the recipient.

9. TEEN PARENTS

Legislative Specifications

(a) States would be required to provide case management services to all custodial parents under 19 and to 19-year-old custodial parents who did not have a high school degree or the equivalent. States would have the option to provide case management services to a broader population, for example, all custodial parents under 20.

(c) Custodial parents under 20 who had a child under one would be required to participate in JOBS as soon as the child reached twelve weeks of age. States would be permitted to assign custodial parents under 20 to pre-JOBS status in the event of a serious illness or other condition which precludes school attendance.

10. JOBS SERVICES AVAILABLE TO PARTICIPANTS

Up-Front Job Search

(b) States would have the option of requiring all job-ready new recipients, including those in the not-phased-in-group, to perform up-front job search. States would also be permitted to require job search from the date of application (as under current law, this requirement could not be used as a reason for a delay in making the eligibility determination or issuing the payment).

11. MINIMUM WORK STANDARD

Legislative Specifications

(a) Months in which an individual met the minimum work standard would not count against the time limit. In an AFDC-UP family, if one parent meets the minimum work standard, neither parent is subject to the time limit.

OPTION A: The minimum work standard would be 30 hours per week, with a State option to reduce the minimum to 20.

OPTION B: The minimum work standard would be 20 hours per week for parents of children under 6 and 30 hours for all others, with a State option to reduce the minimum to 20 hours across the board.

JOBS Participation for the Not-Phased-In Group

(i) States would be given substantial flexibility regarding JOBS services for persons not in the Federally-defined phased-in group (custodial parents born after 1971), as discussed below:

i. A State would be expected to serve volunteers from the not-phased-in group to the extent that federal JOBS funding was available (i.e., the State had not drawn down its full JOBS allotment). Such volunteers would in general participate in JOBS according to the same rules and on the same basis as phased-in JOBS participants, except that they might not be subject to the time limit--States would have the option to apply the time limit to these volunteers.

13. JOBS FUNDING

(d) A State would be permitted to reallocate an amount up to 10% of its combined JOBS and WORK allotments (WORK allotment from the capped entitlement) from its JOBS program to its WORK program and vice versa. The amount transferred could not exceed the allotment for the program from which the transfer was made.

(e) If the States were not able to claim all available Federal JOBS and WORK funding (WORK capped entitlement) for a fiscal year, a State would be permitted to draw down Federal funds for JOBS spending in the excess of its allotment.

15. TRANSITION TO WORK

(c) States would have the option of providing an additional month of AFDC benefits to individuals who found employment just as their eligibility for AFDC benefits/JOBS participation ended, if necessary to tide them over until the first paycheck.

Worker Support

(d) States would be permitted to use JOBS or WORK funds (from the capped WORK allocation; see below), to provide services designed to help persons who had left the JOBS or WORK programs for employment keep those jobs.

16. EXTENSIONS

(e) States would also be permitted, but not required, to grant extensions of the time limit under the circumstances listed below, up to 10% of all adults and minor parents required to participate in JOBS. Extensions due to State failure to deliver services, as discussed above, would be counted against the cap. A State would, however, be required to grant an extension if services were not provided, regardless of whether the State was above or below the 10% cap.

(1) For completion of a GED program (extension limited to 12 months.)

(2) For completion of a certificate-granting training program or educational activity, including post-secondary education or a structured microenterprise program expected to enhance employability or income. Extensions to complete a two or four-year degree would be conditioned on simultaneous participation in a work-study program or other part-time work.

The extension is contingent on the individual's making satisfactory academic progress (extension limited to 24 months).

(3) For some persons who are learning disabled, illiterate or who face language barriers or other substantial obstacles to employment. This would include a person with a serious learning disability whose employability plan to date has been designed to address that impediment and who consequently has not yet obtained the job skills training needed to secure employment (extension not limited to duration.)

(g) A State would be permitted, in the event of extraordinary circumstances, to apply to the Secretary to have its cap on extensions raised.

19. WORK FUNDING

(e) If, as described in JOBS FUNDING, the States were not able to claim all available Federal JOBS and WORK funding (WORK capped entitlement) for a fiscal year, a State would be permitted to draw down Federal funds for WORK spending for operational costs in excess of its allotment from the capped entitlement.

20. FLEXIBILITY

(a) States would enjoy wide discretion concerning the spending of WORK program funds. A State could pursue any of a wide range of strategies to provide work to those who had reached the two-year limit, including:

- * Subsidize private sector jobs.
- * Create positions in the not-for-profit sector (which could entail payments to cover the cost of training and supervising WORK participants)
- * Offer employers other incentives to hire JOBS graduates.
- * Execute performance-based contracts with private firms or not-for-profit organizations to place WORK program participants in unsubsidized jobs.
- * Create positions in public sector agencies (which might include employing adult welfare recipients as mentors for teen parents on assistance or as child care workers).
- * Support microenterprise and self-employment efforts.

The approaches above would be listed in statute as examples, but States would not be restricted to these strategies.

26. WORK ELIGIBILITY CRITERIA AND APPLICATION PROCESS

(d) Only one parent in an AFDC-UP family would be required to participate in the WORK program. States would, however, have the option of requiring both parents to participate.

27. ALLOCATION OF WORK ASSIGNMENTS/INTERIM ACTIVITIES

(a) The entity administering the WORK program in a locality would be required to keep an updated tally of all WORK registrants awaiting WORK assignments (as opposed to, for example, WORK participants who had been referred to a placement contractor). WORK positions would not be allocated strictly on a first-come, first-served basis. An individual whose sanction period had just ended would be placed in a new WORK assignment as rapidly as

possible. Among other WORK participants, persons new to the WORK program would have priority for WORK assignments over persons who had previously held a WORK position. Subject to those two conditions, States would be permitted to allocate each WORK assignment so as to maximize the chance of a successful placement, provided that the allocations were made in a non-discriminatory manner.

(b) States would have the option of requiring persons who were awaiting WORK assignments to participate in other WORK program activities (e.g., individual or group job search, arranging for child care, self-initiated activities), and to establish mechanisms for monitoring participation in such activities. Persons in this waiting status could include both WORK participants who had completed an initial WORK assignment without finding unsubsidized employment, participants whose assignments ended prematurely for reasons other than the participant's misconduct, and individuals awaiting a hearing concerning misconduct. Individuals who failed to comply with such participation requirements would be subject to sanction as described below (see SANCTIONS).

28. HOURS OF WORK

(a) States would have the flexibility to determine the number of hours for each WORK assignment. The number of hours for a WORK assignment could vary depending on the nature of the position. WORK assignments would have to be for at least an average of 15 hours per week during a month and for no more than an average of 35 hours per week during a month.

29. EARNINGS SUPPLEMENTATION

(c) The work expense disregard for the purpose of calculating the earnings supplement would be set at the same level as the standard \$120 work expense disregard. States which opted for more generous earnings disregard policies would be permitted not to apply these policies to WORK wages.

31. SUPPORTIVE SERVICES/WORKER SUPPORT

(b) States would be permitted to make supportive services available to WORK participants who were engaged in approved education and training activities in addition to a WORK assignment or other WORK program activity. In other words, a States could, but would not be required to, provide child care or other supportive services to enable a WORK participant to, for example, also take a vocational education course at a community college.

33. SANCTIONS/PENALTIES (JOBS AND WORK)

JOBS Sanctions

(a) A State's conciliation policy (to resolve disputes concerning JOBS participation only) could take one of the following two forms:

i. A conciliation process that meets standards established by the Secretary; or

ii. A process whereby recipients are notified, prior to the issuing of a sanction notice, that they are in apparent violation of a program requirement and that they have 10 days to contact the State agency to explain why they were not in compliance or to indicate their intent to comply. Upon contact from the recipient, the State agency would attempt to resolve the issue and would have the option of not imposing the sanction.

Ineligibility for a WORK Assignment

(g) The Secretary shall establish regulations defining good cause for each of the following:

iii. Dismissal from a WORK assignment. The regulations shall allow a State, subject to the approval of the Secretary, to apply in such instances the definition of misconduct utilized in its unemployment insurance program. (A IV-A agency might be allowed to contract with the State UI hearing system to adjudicate these cases.

34. JOB SEARCH

(a) WORK program participants would generally be required to engage in job search at the conclusion of a WORK assignment or while otherwise awaiting a WORK assignment or enrollment to a WORK program activity serving as an alternative to a WORK assignment (see ALLOCATION OF WORK ASSIGNMENTS/INTERIM ACTIVITIES). The number of hours per week (up to a maximum of 35) and the duration of periods required job search would be set by the State, consistent with regulations to be promulgated by the Secretary.

(b) The State could also require WORK participants to engage in job search while in a WORK assignment, provided that the combined hours of work and job search did not exceed an average of 35 hours per week. The number of hours for job search would be the expected time to fulfill the particular job search requirement, i.e., if a WORK participant were expected to make 5 contacts per week, the number of hours of job search would be the estimated number of hours needed to make the contacts.

35. TIME LIMIT ON PARTICIPATION IN THE WORK PROGRAM

(a) Individuals would be limited to a maximum of 12 months in any single WORK assignment, after which they would be required to perform supervised job search **(for a period of time to be set by the State)** prior to placement in another WORK assignment.

(b) States would be required to conduct a comprehensive assessment of any person who had completed two WORK assignments or who had been in a WORK program for two years. **A State could, following the reassessment, require the individual to continue in the WORK program, assign the person to the JOBS program or to the pre-JOBS phase or impose penalties (i.e., ineligibility for the WORK program).** Such penalties could only be imposed in the event of misconduct related to the WORK program (see SANCTIONS/PENALTIES above).

36. TRAINING AND EMPLOYMENT FOR NON-CUSTODIAL PARENTS

Legislative Specifications

(a) A State could spend up to 15 percent of its JOBS funding and WORK funding (allotment from the capped entitlement) for training, work readiness, and work opportunities for non-custodial parents. The State would have the complete flexibility as to which of these funding streams would be tapped.

ii. Additionally, States may submit an application to the Secretary to conduct a random assignment evaluation of its non-custodial program and, if approved, no State match will be required to operate the program. (If the non-custodial program is a multi-site or state-wide program, the State match would be waived in those areas covered by the random assignment evaluation.)

(d) States are not required to provide all the same JOBS or WORK services to custodial and non-custodial parents, although they may choose to do so. Participation in the JOBS program is not a prerequisite for participation in a non-custodial parent work program. The non-custodial parent's participation will not be linked to self-sufficiency requirements or to JOBS/WORK participation by the custodial parent. Non-custodial parents who participate in such programs will, for the purposes of calculating the JOBS participation rate, be included in the numerator but not the denominator.

(e) Payments of stipends for work will be required. Payment of training stipends is allowed. All stipends are eligible for FFP.

ii. At State option, the child support obligation can be suspended or reduced to the minimum while the non-custodial parent was participating in program activities which did not

provide a stipend or wages sufficient to pay the amount of the current order.

WELFARE REFORM PROPOSED LEGISLATIVE SPECIFICATIONS

PERFORMANCE MEASURES PROPOSAL

5. Expanded Mission for Quality Control System

(c) States would be required to conduct periodic, internal audits of their JOBS and WORK processes to ensure the accuracy of reported data and annual audits to establish payment accuracy rates. The Federal government would specify the minimum sample sizes to achieve 90 to 95 percent confidence at the lower limit a method generally used by OIG). States would also be permitted to use current QC resources to conduct special studies to test and improve the system. (This is an option)

INFORMATION SYSTEMS AND INFRASTRUCTURE

Enhanced State Systems

(paragraph 4)

States would have the option to develop their own systems, modify and/or adopt prototype systems developed by the Federal government, or use systems developed by groups of States. A higher match rate would be available to States which adopted a Federal prototype or a system developed by a group of States; otherwise regular administrative match would be available.

Legislative Specifications

3. Automated, Statewide, Child Care Case Management Information System

(a) Add new section 402(a)(XX): The State agency, at its option, shall have in operation, in accordance with an Advance Planning Document approved under section 402(e), an economical, effective, and efficient automated case management information system, to:

(A) Allow the State to control, account for, and monitor all programs that provide child care administered under the State plan, at its option, to achieve seamless child care delivery, all child care programs of the State, including providing operational systems support necessary for administration of the child care program(s) and managing the non-service related CCDBG funds, such that automated procedures and processes will allow the State to;

(i) identify families and children in need of child care, establish eligibility for child care, and determine funding source(s);

(ii) plan and monitor services, determine payments, and update and maintain the family and child care eligibility status for child care;

(iii) maintain and monitor necessary provider information;
(iv) process payments and meet other fiscal needs for the management of child care program(s); cont.

4. Automated, JOBS/WORK Case Management Information System

(a) Establish a new Subsection 482(j): The State IV-A Agency, at its option, shall have in operation, in accordance with an Advance Planning Document approved under subsection 402(e), an economical, effective, and efficient automated case management information system, to:

(1) Allow the State to control, account for, and monitor all factors of the JOBS and WORK programs..

(2) Support both management and administrative activities of the program..

ADMINISTRATION OF JOBS/WORK

1. Overall administration

(b) Unless the governor designates otherwise, the IV-A agency shall administer JOBS/WORK.

(d) If the IV-A agency retains administration of JOBS, it shall have the option of contracting with another entity to carry out any and all functions related to JOBS/WORK.

3. Other Areas of Responsibility

In States where an entity other than the IV-A agency is responsible for JOBS/WORK, we propose to give States the flexibility to determine how the following functions are carried out. The State plan would have to contain specific information detailing how the State intended to carry out these functions.

(a) Determining JOBS Prep status

(b) Granting extensions to the time limits

(c) Providing secondary reviews and hearings on issues specifically related to JOBS or WORK participation.

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

June 13, 1994

TO: BRUCE REED

FROM: MARK MAZUR *mark*

SUBJECT: ADVANCE EITC COMPONENT OF WELFARE REFORM PROPOSAL

Attached are some comments related to the advance EITC payment proposal. These comments were sent to OMB as part of the clearance process. I was informed by Chris Mustain (OMB) that the 75 percent vs. 60 percent decision was a "policy call" that had to be made with the consent of people at the DPC. So, I am sending these comments to you in the hope that you will agree the 75 percent maximum EITC advance payment rule should be conformed with the law applying to all other advance payers (60 percent). If you have any questions about this, please call me at 395-5147.

cc: Kathryn Way

Bruce -

When this proposal is rolled out, perhaps we'll be able to turn our attention to thinking about a middle-income tax cut. There is a possibility we could devise one and even come up with a way to pay for it.

mark

MEMORANDUM

COUNCIL OF ECONOMIC ADVISERS

June 10, 1994

TO: CHRIS MUSTAIN

FROM: MARK MAZUR *Mark*

SUBJECT: COMMENTS ON HHS WELFARE REFORM PROPOSAL (ADVANCE PAYMENT OF EITC COMPONENT)

I have one main comment about the proposal, focusing on the amount of advance payment allowed (75 percent of the estimated credit available to the taxpayer). It would be more desirable to conform the treatment of this provision to the current law requirements that apply to all employers (i.e., limit advance payments to 60 percent of the earned income tax credit (EITC) available to taxpayers with one child). There are several reasons why the Special Rule on page 4 of the proposed legislation should be eliminated:

- Congress enacted the 60 percent rule for maximum advance payments of the EITC in OBRA 1993 as a reasonable compromise between providing a work incentive and promoting compliance. Nothing has changed to upset this compromise and there is no compelling reason for State-run advance payment programs to differ from the general rule.
- A single rule for all advance payment providers would allow the evaluation studies required under the proposal to determine if there are differences in compliance for taxpayers using different advance payment providers (the 75-percent rule provides a confounding factor that may make such comparisons difficult).
- The 75-percent rule will result in a greater number of overpayments of the EITC, which will lead to larger year-end tax liabilities for recipients.
- Conformance between all types of advance payment providers would reduce fluctuations that may occur when workers move between States or change employers.
- Any additional complexity to the EITC could result in reduced support for the EITC program. In turn, this could result in changing significant components of the credit, which would, itself, be undesirable.

As an additional point, the legislative draft could be made more elegant by replacing section (a)(5) of the draft with a reference to Section 3507(d)(1) and (2) of the Tax Code. The language is virtually identical.

Ellwood, Bane, Reed, Emily, Naomi
Taiplin, Morahan

meeting w HHS

August 2, 1994
2-3 P.M.

Suggestions for compromise

- increase work assignments
from 15 hrs. to 20 hrs.

- ~~put~~ limit family caps to specific # of states

- create CETA like program, employment for non-custodial parents,
include ~~20~~ 20 dollars.

- UP rules eliminate 6 months optin

- grant secretary ability to be

flexible on phase-in ~~a~~ children over 3 vs. over 1.

flexible time limits - No, do not include!!

flexible strategies - should still be a saturation

group and should

~~WORK~~ WORK FOR WAGES. allows WORKFARE ALSO.

- Sanctions - No agreement on bending on

~~Sanctions~~ ^Sanctions.

TITLE VI--CHILD SUPPORT ENFORCEMENT

(Page numbers in bill indicated in parentheses)

SEC. 600. REFERENCES IN TITLE. (1)

Part A - Eligibility and Other Matters Concerning
Title IV-D Program Clients

SEC. 601. COOPERATION REQUIREMENT AND GOOD CAUSE EXCEPTION. (1)

SEC. 602. STATE OBLIGATION TO PROVIDE PATERNITY ESTABLISHMENT
AND CHILD SUPPORT ENFORCEMENT SERVICES. (10)

SEC. 603. DISTRIBUTION OF PAYMENTS. (15)

SEC. 604. DUE PROCESS RIGHTS. (22)

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SEC. 614. AUTOMATED DATA PROCESSING REQUIREMENTS. (37)

SEC. 615. DIRECTOR OF OSCE PROGRAM; TRAINING AND STAFFING. (43)

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SEC. 641. OUTREACH FOR VOLUNTARY PATERNITY ESTABLISHMENT. (96)

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(101)

SEC. 652. STATE LAWS CONCERNING MODIFICATION OF CHILD SUPPORT
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- SEC. 695. EFFECTIVE DATES. (144)
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TITLE VI - CHILD SUPPORT ENFORCEMENT

SEC. 600. REFERENCES IN TITLE.

References in this title to a section or other provision refer to a section or other provision of the Social Security Act, unless the context otherwise requires.

Part A - Eligibility and Other Matters Concerning

Title IV-D Program Clients

SEC. 601. COOPERATION REQUIREMENT AND GOOD CAUSE EXCEPTION.

(a) Child Support Enforcement Requirements.--Section 454 is amended--

(1) by striking "and" at the end of paragraph (23);

(2) by striking the period at the end of paragraph (24) and inserting "; and"; and

(3) by adding after paragraph (24) the following new paragraph:

"(25) provide that the State agency administering the plan under this part--

"(A) will make the determination specified under paragraph (4), as to whether an individual is cooperating with efforts to establish paternity and secure support (or has good cause not to cooperate with such efforts) for purposes of the requirements of sections 402(a)(26) and 1912;

"(B) will advise individuals, both orally and in writing, of the grounds for good cause exceptions to the requirement to cooperate with such efforts;

"(C) will take the best interests of the child into consideration in making the determination whether such individual has good cause not to cooperate with such efforts;

"(D)(i) will make the initial determination as to whether an individual is cooperating (or has good cause not to cooperate) with efforts to establish paternity within 10 days after such individual is referred to such State agency by the State agency administering the program under part A or title XIX;

"(ii) will make redeterminations as to cooperation or good cause at appropriate intervals; and

"(iii) will promptly notify the individual, and the State agencies administering such programs, of each such determination and redetermination;

"(E) with respect to any child born on or after the date 10 months after enactment of this provision, will not determine (or redetermine) the mother (or other custodial relative) of such child to be cooperating with efforts to establish paternity unless such individual furnishes--

"(i) the name of the putative father (or fathers); and

"(ii) sufficient additional information to enable the State agency, if reasonable efforts were made, to verify the identity of the person

named as the putative father (including such information as the putative father's present address, telephone number, date of birth, past or present place of employment, school previously or currently attended, and names and addresses of parents, friends, or relatives able to provide location information, or other information that could enable service of process on such person), and

"(F)(i) (where a custodial parent who was initially determined not to be cooperating (or to have good cause not to cooperate) is later determined to be cooperating or to have good cause not to cooperate) will immediately notify the State agencies administering the programs under part A and title XIX that this eligibility condition has been met; and

"(ii) (where a custodial parent was initially determined to be cooperating (or to have good cause not to cooperate)) will not later determine such individual not to be cooperating (or not to have good cause not to cooperate) until such individual has been afforded an opportunity for a hearing.".

(b) AFDC Amendments.--

(1) Section 402(a)(11) is amended by striking "furnishing of" and inserting "application for".

(2) Section 402(a)(26) is amended--

(A) in each of subparagraphs (A) and (B), by redesignating clauses (i) and (ii) as subclauses (I) and (II);

(B) by indenting and redesignating subparagraphs (A), (B), and (C) as clauses (i), (ii), and (iv), respectively;

(C) in clause (ii), as redesignated--

(i) by striking "is claimed, or in obtaining any other payments or property due such applicant or such child," and inserting "is claimed;"; and

(ii) by striking "unless" and all that follows through "aid is claimed; and";

(D) by adding after clause (ii) the following new clause:

"(iii) to cooperate with the State in obtaining any other payments or property due such applicant or such child; and";

(E) in the matter preceding clause (i), as redesignated, to read as follows:

"(26) provide--

"(A) that, as a condition of eligibility for aid, each applicant or recipient will be required (subject to subparagraph (C))--";

(F) in subparagraph (A)(iv), as redesignated, by striking ", unless such individual" and all that follows through "individuals involved";

(G) by adding at the end the following new subparagraphs:

"(B) that the State agency will immediately refer each applicant requiring paternity establishment services to the State agency administering the program under part D;

"(C) that an individual will not be required to cooperate with the State, as provided under subparagraph (A), if the individual is found to have good cause for refusing to cooperate, as determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed--

"(i) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements under clauses (i) and (ii) of subparagraph (A); and

"(ii) to the satisfaction of the State agency administering the program under this part, with respect to the requirements under clauses (iii) and (iv) of subparagraph (A);

"(D) that (except as provided in subparagraph (E)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e)) shall not be

eligible for any aid under this part until such applicant--

"(i) has furnished to the agency administering the State plan under part D the information specified in section 454(25)(D); or

"(ii) has been determined by such agency to have good cause not to cooperate;

"(E) that the provisions of subparagraph (D) shall not apply--

"(i) if the State agency specified in such subparagraph has not, within 10 days after such individual was referred to such agency, provided the notification required by section 454(25)(D)(iii), until such notification is received); and

"(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing); and"; and

(H)(i) by relocating and redesignating as subparagraph (F) the text at the end of subparagraph (A)(ii) beginning with "that, if the relative" and all that follows through the semicolon;

(ii) in subparagraph (F), as so redesignated and relocated, by striking "subparagraphs (A) and (B) of this paragraph" and inserting "subparagraph (A); and

(iii) by striking "and" at the end of subparagraph (A)(ii).

(c) Medicaid Amendments.--Section 1912(a) is amended--

(1) in paragraph (1)(B), by inserting "(except as provided in paragraph (2))" after "to cooperate with the State"; and

(2) in subparagraphs (B) and (C) of paragraph (1) by striking ", unless" and all that follows and inserting a semicolon;

(3) by redesignating paragraph (2) as paragraph (5), and inserting after paragraph (1) the following new paragraphs:

"(2) provide that the State agency will immediately refer each applicant or recipient requiring paternity establishment services to the State agency administering the program under part D of title IV;

"(3) provide that an individual will not be required to cooperate with the State, as provided under paragraph (1), if the individual is found to have good cause for refusing to cooperate, as determined in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the individuals involved--

"(A) to the satisfaction of the State agency administering the program under part D, as determined in accordance with section 454(25), with respect to the requirements to cooperate with efforts to establish paternity and to obtain support (including medical support) from a parent; and

"(B) to the satisfaction of the State agency administering the program under this title, with respect to other requirements to cooperate under paragraph (1);

"(4) provide that (except as provided in paragraph (5)) an applicant requiring paternity establishment services (other than an individual eligible for emergency assistance as defined in section 406(e), or presumptively eligible pursuant to section 1920) shall not be eligible for medical assistance under this title until such applicant--

"(i) has furnished to the agency administering the State plan under part D of title IV the information specified in section 454(25)(D); or

"(ii) has been determined by such agency to have good cause not to cooperate; and

"(5) provide that the provisions of paragraph (4) shall not apply with respect to an applicant--

"(I) if such agency has not, within 10 days after such individual was referred to such agency, provided

the notification required by section 454(25)(D)(iii), until such notification is received); and

"(ii) if such individual appeals a determination that the individual lacks good cause for noncooperation, until after such determination is affirmed after notice and opportunity for a hearing.".

(d) Effective Date.--The amendments made by this section shall be effective with respect to applications filed in or after the first calendar quarter beginning 10 months or more after enactment of this amendment (or such earlier quarter as the State may select) for aid under title IV-A or for medical assistance under title XIX.

SEC. 602. STATE OBLIGATION TO PROVIDE PATERNITY ESTABLISHMENT
AND CHILD SUPPORT ENFORCEMENT SERVICES.

(a) State Law Requirements.--Section 466(a) is amended by adding at the end the following new paragraph:

"(12) Use of Central Case Registry and Centralized Collections Unit.--Procedures under which--

"(A) every child support order established or modified in the State on or after October 1, 1997 is recorded in the central case registry established in accordance with section 454A(e); and

"(B) child support payments are collected through the centralized collections unit established in accordance with section 454B--

"(i) on and after October 1, 1997, under each order subject to wage withholding under section 466(b); and

"(ii) on and after October 1, 1998, under each other order required to be recorded in such central case registry under this paragraph or section 454A(e), except as provided in subparagraph (C); and

"(C)(i) parties subject to a child support order described in subparagraph (B)(ii) may opt out of the procedure for payment of support through the centralized collections unit (but not the procedure for inclusion in the central case registry) by filing with

the State agency a written agreement, signed by both parties, to an alternative payment procedure; and

"(ii) an agreement described in clause (i) becomes void, and may not be renewed, whenever--

"(I) the party owing support fails to make a timely payment; or

"(II) either party advises the State agency of an intent to vacate the agreement.".

(b) State Plan Requirements.--Section 454 is amended--

(1) in paragraph (4), to read as follows:

"(4) provide that such State will undertake--

"(A) to provide appropriate services under this part to--

"(i) each child with respect to whom an assignment is effective under section 402(a)(26), 471(a)(17), or 1912 (except in cases where the State agency determines, in accordance with paragraph (25), that it is against the best interests of the child to do so); and

"(ii) each child not described in clause (i)--

"(I) with respect to whom an individual applies for such services; and

"(II) (on and after October 1, 1997) each child with respect to whom a support order is recorded in the central State case