

Federal matching rate for AFDC expenditures made by the State for the number of individuals by which the average monthly number is less than 45 percent of the total.

**(2) AFDC-UP participation requirements**

Same as current law.

**C. Requirements on States, and Funding Issues, Relating to WORK Participation**  
(section 202 of the bill)

**Present law**

No provision.

**Explanation of provision**

The penalty for failure to meet WORK participation standards would be a reduction in the Federal matching rate for AFDC expenditures by 25 percent with respect to the average monthly number of individuals by which the State fails to meet its WORK participation standard for the year. A State's participation standard would be met if: (1) the average monthly number of WORK positions filled is not less than the number the Secretary requires be created, given the available Federal funding and the amount determined necessary to locate or create WORK positions; or (2) the following ratio is at least 80 percent. The numerator of the ratio is the sum of the average monthly number of persons assigned to WORK positions, participating in job search following such an assignment (for no more than 3 consecutive months), being sanctioned under WORK, or in unsubsidized work and off AFDC (but a WORK participant within the past 3 months). The denominator is the sum of the average monthly number of WORK registrants and the average monthly number of individuals in unsubsidized work and off AFDC (but a WORK participant within the prior 3 months).

**D. Priority/Target Populations**

**Present law**

The Federal matching rate for the JOBS program is reduced to 50 percent unless 55 percent of funds are spent on the following target populations:

1. families in which the custodial parent is under age 24 and (a) has not completed high school and is not enrolled in high school or an equivalent course, or (b) had little or no work experience in the preceding year;

2. families in which the youngest child is within 2 years of being ineligible for assistance because of age;
3. families who have received assistance for any 36 months during the preceding 60-month period.

The above target requirements may be waived if a State demonstrates to the satisfaction of the Secretary that the characteristics of the caseload in the State make it infeasible to meet the requirements, and that the State is targeting other long-term or potential long-term recipients.

The Secretary must submit recommendations to the Congress every 2 years for modifications or additions to the target groups that the Secretary determines would further the goal of assisting long-term or potential long-term recipients to achieve self-sufficiency.

[sec. 403(1)(2) of the SSA]

#### Explanation of provision

Would delete the provision of current law. However, an alternative targeting requirement would apply to State JOBS programs, as discussed under item I.A. above, "Requirements and Opportunities for Participation in JOBS."

#### E. Reallocation among JOBS and WORK (section 202 of the bill)

##### Present law

No provision.

##### Explanation of provision

A State would be allowed to reallocate up to 10 percent of the total of its capped JOBS and WORK funds from one program to the other. The bill also would allow that, for fiscal year 1997, the State could request that 10 percent of its JOBS funds be made available for preparing to conduct its WORK program.

Also, the bill would require the Secretary to reallocate funds for JOBS or WORK from States that do not claim all the Federal funds available under their allocations to States whose expenditures for both JOBS and WORK exceed their Federal caps. By regulation the Secretary would have to provide for equitable reallocations when there are insufficient funds for reallocation to meet all eligible State expenditures.

**F. Matching Rate Adjustment During Recession**  
(section 202 of the bill)

**Present law**

No provision.

**Explanation of provision**

If a State's total unemployment level equals or exceeds 6.5 percent (the total unemployment rate (TUR) trigger for the extended unemployment compensation program) and the State's unemployment rate is at least 10 percent higher than its rate in either of the prior 2 fiscal years, the State matching rate for JOBS, capped WORK, and At-Risk child care expenditures would be reduced by 10 percent (not 10 percentage points). The adjustment to the matching rate would become effective only if the State obligated sufficient funding to draw down its full allotment for JOBS and WORK at the preadjustment matching rate. The State could then draw down, at the higher match rate, unspent JOBS and WORK funds available for reallocation.

Also, if the national unemployment rate for the last 2 quarters of the preceding fiscal year or the first 2 quarters of the current fiscal year equals or exceeds 7 percent, the national cap for JOBS, WORK, and At-Risk child care would be raised by 2.5 percent plus 0.25 percent for each 0.1 percent by which the rate exceeds 7 percent.

**G. Funding Issues Relating to Deferrals and Extensions**  
(section 202 of the bill)

**Present law**

No provision.

**Explanation of provision**

If the State exceeds its average monthly limit for discretionary deferrals (see item I.A.(5) above, "Deferral from participation") or extensions (see item I.J. above, "Twenty-Four Month Limit"), then the Secretary would have to reduce by 25 percent for each month in the fiscal year the Federal matching rate for AFDC expenditures for the number of individuals by which the average monthly numbers exceeds these limits.

**H. Sanctions Not Applicable for First Year**  
(section 202 of the bill)

**Present law**

No provision.

**Explanation of provision**

States would not be subject to a reduction in their AFDC matching funds for failure to meet JOBS or WORK participation standards or for exceeding the caps on deferrals or extensions during the first year of program operation.

**I. Regulations for Reporting of Information on Participation**  
(section 202 of the bill)

**Present law**

No provision.

**Explanation of provision**

Prior to the general effective dates for JOBS and WORK, the Secretary would have to issue regulations containing information needed to permit implementation of participation standards and associated fiscal penalties. States would have to begin reporting required data on the appropriate participation standards no later than 12 months after the effective dates of the JOBS and WORK program for the State (see items II.B. and X. for information on the effective dates of the programs).

**J. Maintenance of Effort; Substantial Implementation**  
(section 202 of the bill)

**Present law**

Federal JOBS program funds may not be used to supplant non-Federal funds for existing services and activities.  
[sec. 482(a)(3) of the SSA]

**Explanation of provision**

Under the bill, a maintenance of effort provision would affect State eligibility for the enhanced matching rate for JOBS, capped WORK and child care (including AFDC and At-Risk child care). If the non-Federal share of a State's expenditures for any fiscal year for JOBS, capped WORK, title IV-A child care services, and AFDC administrative costs (including child care administration) is less than the non-Federal share for fiscal year 1994 (or fiscal year 1993, if that is higher) for those activities (excluding WORK), then the Federal matching rate for

the capped JOBS and WORK funds would be the higher of the State's medicaid rate or 60 percent; for the child care programs, it would be the State's medicaid rate.

In addition, the Federal matching rate for JOBS, capped WORK and child care would be similarly reduced for any fiscal year in which the number of individuals made subject to the time limit is less than 90 percent of the non-deferred custodial parents to whom the JOBS participation requirement and AFDC time limit apply, unless the State has submitted an approvable plan amendment that provides that all JOBS requirements and the 90 percent standard will be met within 2 years of the program's effective date.

**K. Special Adjustment Fund**  
(section 202 of the bill)

**Present law**

No provision.

**Explanation of provision**

Funds would be made available to the Secretary for making special adjustments in State JOBS or WORK funding limitations. These funds could also be used for payments to States which exceed JOBS participation standards and for technical assistance. For fiscal year 1996, \$300 million of the amount appropriated for JOBS would be made available for these purposes.

By March 1 and September 1 of each year, States could submit requests to adjust their JOBS and (after 1997) WORK limitations for the following fiscal year. Only States which would be claiming their full allocations for JOBS and WORK during the fiscal year and which obligated 95 percent of last year's funds would be eligible for adjustments. The Secretary would have to issue regulations governing how funds available for adjustments would be allocated among States if the amounts States request exceed the amount available. Within 30 days of the due dates for requests, the Secretary would have to notify States whether their limitations would be adjusted and advise them of the amount of any adjustment.

Adjustments to a State's JOBS or WORK limitation for a fiscal year would be considered to have increased the State's funding limitation for the following fiscal year. The amount of funds provided to the Secretary for this purpose in 1996 would be made available until expended. It would be decreased by adjustments to State limitations made by the Secretary in any fiscal year, but increased to the extent that States do not claim

their full limitations for JOBS, WORK, and At-Risk Child Care. However, for fiscal years after 1997, the total amount available must not exceed \$400 million.

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#### IV. CHILD CARE

##### A. Child Care Guaranteed to Certain AFDC Recipients (AFDC Child Care)

(sections 202(f), 301 and 302 of the bill)

##### (1) **General requirement**

###### Present law

The State agency must guarantee child care to AFDC recipients to the extent that it is determined by the agency to be necessary for an individual's employment. The State agency also must guarantee child care for each individual participating in an education and training activity (including participation in the JOBS program) if the State agency approves the activity and determines that the individual is satisfactorily participating in the activity. [sec. 402(g)(1)(A) of the SSA]

###### Explanation of provision

Would retain current law with two modifications.

First, the bill would extend the child care guarantee to participants in the WORK program.

Second, the bill would clarify the child care guarantee with respect to those participating in self-initiated education and training activities. States would have to guarantee child care for each individual participating in a self-initiated education and training activity if the State approves the activity as part of the individual's JOBS employability plan and determines that the individual is satisfactorily participating in the activity. In these cases, child care services would be guaranteed regardless of whether resources are available to enroll the participant in JOBS activities or services. (see related item I.A.(2) above, "Participation by volunteers")

##### (2) **Methods of providing/reimbursing care**

###### Present law

The State agency may provide care itself, arrange care by use of contract or vouchers, provide cash or vouchers in advance to the caretaker relative, reimburse the caretaker relative, or adopt any other arrangements deemed appropriate by the agency. [sec. 402(g)(B) of the SSA]

In addition, under AFDC law that preceded the establishment of the AFDC child care program, States can reimburse child care expenses of working AFDC recipients and applicants using the child care disregard (see fuller discussion below under item (4), "Reimbursement").

#### Explanation of provision

Would retain current law.

### **(3) Federal matching rates**

#### Present law

Funds to States to provide child care required to be guaranteed under the AFDC program are available to States as an open-ended entitlement at the medicaid matching rate. [sec. 402(g)(3)(A) of the SSA]

#### Explanation of provision

The enhanced medicaid matching rate applicable for the JOBS and WORK programs would be paid for expenditures under the AFDC child care program (see item III.A.(1)(b) for a description of the enhanced rate).

### **(4) Reimbursement**

#### Present law

#### **(a) In general**

States have substantial discretion to establish payment rates for AFDC child care. Regardless of the method used to guarantee child care, Federal reimbursement for the cost of care with respect to a family is available only for the portion of State costs that falls within a maximum permissible amount. This amount is equal to the lesser of: (1) the actual cost of the care; (2) a Statewide limit established by the State (which must at least equal the dollar amount of the 'AFDC child care disregard' for which the family is eligible); and (3) the applicable local market rate (as determined by the State in accordance with regulations by the Secretary). [sec. 402(g)(3)(B) of the SSA]

#### **(b) Families eligible for the child care disregard**

The child care disregard provisions of the AFDC statute, which preceded the establishment of the AFDC child care program, provide a payment method for States to use in reimbursing the child care expenses of AFDC families with earnings. In

determining eligibility for AFDC, and the AFDC benefit amount, with respect to both AFDC applicants and recipients, States are required to disregard from the earned income of the family an amount equal to expenditures for child care (or care for an incapacitated family member). However, the disregard amount may not exceed \$175 per month (or a lesser amount that the Secretary specifies for part-time care) for children ages 2 and over, and \$200 per month for children under age 2. [sec. 402(a)(8)(A)(iii) of the SSA]

A family eligible for the child care disregard is eligible for reimbursement of expenses up to the full amount of the disregard, even if the local market rate established under the AFDC child care provisions described above is lower than the disregard level.

States may use methods other than the disregard to reimburse the child care expenses of working AFDC applicants and recipients, provided that (in addition to other conditions) the disregard is made available in cases where the family would become ineligible for AFDC without the disregard. For a family receiving the disregard, States also may make supplemental payments for child care costs in excess of the disregard, so long as the total reimbursement to the family would be within the amount that would be available if another method were used.

#### Explanation of provision

##### *(a) In general*

Same as current law, except that States would be prohibited from establishing a Statewide limit on child care payment rates that is less than the limit in effect in the State for January 1994.

##### *(b) Families eligible for the child care disregard*

Under the bill, if a State uses the income disregard provisions of the AFDC statute to guarantee child care for AFDC families with earnings, it would have to: (1) offer the caretaker relative of each such family the option of receiving care under another payment method or (2) reimburse the caretaker relative for expenditures on child care that exceed the amount of the disregard (up to the amount otherwise payable for guaranteed child care under one of the other payment methods).

If the State chooses not to supplement the disregard, it would have to advise any family eligible for the disregard that they have the option to receive child care under another payment method.

## **(5) Child care standards**

### **Present law**

Amounts spent for child care may be Federally-reimbursed only to the extent that the child care involved meets applicable standards of State and local law, and the entity providing care provides parental access. [sec. 402(g)(3)(B) of the SSA]

States must establish procedures to assure that center-based child care will be subject to requirements designed to ensure basic health and safety, including fire safety protections. The State must also endeavor to develop guidelines for family day care. The State must provide the Secretary with a description of these State- and local-determined requirements and guidelines, which must be used by the Secretary to make a report to Congress on the nature and content of State and local standards for health and safety. [sec. 402(g)(4) and (5) of the SSA]

### **Explanation of provision**

The bill would replace current law provisions regarding child care standards.

#### **(a) Health and safety issues**

All child care provided under the AFDC statute (including AFDC child care, transitional child care and At-Risk child care) would have to meet all health and safety standards established by the State for the Child Care and Development Block Grant (CCDBG).

The CCDBG Act requires that under the State's plan for the CCDBG, the State must provide assurances that there are in effect within the State, under State or local law, requirements designed to protect the health and safety of children that are applicable to CCDBG child care providers. The requirements must include: (i) the prevention and control of infectious diseases (including immunization); (ii) building and physical premises safety; and (iii) minimum health and safety training appropriate to the provider setting.

In addition to any other health and safety requirements imposed by the State for CCDBG, the State agency would have to establish immunization requirements and assure, consistent with regulations of the Secretary, that: (i) children whose child care is paid for, in whole or in part, under the AFDC statute would be required to have received all immunizations, at the appropriate times, as currently recommended by the Advisory Committee on Immunization Practices (an advisory committee established by the Secretary, acting through the director of the Centers for Disease Control and Prevention); and (ii) child care

providers used will take steps to assure that toxic substances, weapons, and any other items at the location where the child care is provided that could be harmful to young children will be secured and unobtainable by the children.

*(b) Other quality issues*

The State plan would have to assure that AFDC child care will conform to all CCDBG provisions relating to parental choice, unlimited parental access, handling of parental complaints, and consumer education, as well as to all the other standards, criteria, and requirements applicable to CCDBG care. According to the Department of Health and Human Services, these include the following provisions (sections 658(E)(c)(2)(A)-(G)) of the Child Care and Development Block Grant Act:

- (i) *Parental choice* -- Parents would have to be given the option either to enroll the child with a provider that has a grant or contract to provide services, or to receive a child care certificate. In cases where parents select a provider that has a grant or contract, the child would have to be enrolled with the eligible provider selected by the parent to the maximum extent practicable. Child care certificates would have to be of a value commensurate with the subsidy value of child care services provided under contract.
- (ii) *Unlimited parental access* -- Procedures would have to be in effect within the State to ensure that child care providers delivering services under the program afford parents unlimited access to their children and to the providers caring for their children, during the normal hours of operation of the providers and whenever the children are in the care of the providers.
- (iii) *Parental complaints* -- The State would have to maintain a record of substantiated parental complaints and make information regarding the parental complaints available to the public on request.
- (iv) *Consumer education* -- Consumer education information would have to be available to parents and the general public within the State concerning licensing and regulatory requirements, complaint procedures, and policies and practices relative to child care services within the State.
- (v) *Compliance with State and local regulatory requirements* -- All providers delivering assistance under the program would have to comply with all licensing and regulatory requirements (including

registration requirements) applicable under State and local law.

Providers that are not required to be licensed or regulated under State or local law would have to be registered with the State prior to payment. Registration would have to be in accordance with procedures designed to facilitate appropriate payment to providers and to permit the State to furnish information to providers (including information on the availability of health and safety information pertaining to regulatory requirements in the State). Providers would have to be permitted to register with the State after selection by the parents and before payment is made.

A State could impose more stringent standards and licensing and regulatory requirements on providers receiving funds under the program than the standards or requirements imposed on other providers in the State.

*(c) Federal funds conditioned on compliance*

Amounts spent for child care could be Federally-reimbursed only to the extent that the child care involved meets all requirements, standards and criteria applicable to child care funded under the CCDBG. According to the Department of Health and Human Services, this refers to sections 685(E)(c)(2)(A)-(G) of the Child Care and Development Block Grant Act, which are outlined above in item (b).

*(6) Income and tax treatment of child care benefits*

Present law

The value of any AFDC child care may not be treated as income for any other Federal or Federally-assisted needs-based program and may not be claimed as an employment-related expense for tax purposes. [sec. 402(g)(1)(B) of the SSA]

Explanation of provision

Would retain current law.

*(7) Continuity of care*

Present law

No statutory provision. [However, HHS regulations provide that a State may provide child care for an individual who is waiting to enter an approved education, training, or JOBS

component or employment: (a) for a period not to exceed two weeks; or (b) for a period not to exceed one month where child care arrangements otherwise would be lost and the subsequent activity is scheduled to begin within that period (see 45 CFR 255.2(d)).

### **Explanation of provision**

States could, at their option, provide or authorize child care for a child for such periods of time as are necessary to assure continuity of care even though, for such periods, the individual whose JOBS or WORK participation or whose employment is enabled by the child care may have temporary interruptions in employment or training.

### **B. Transitional child care (TCC) assistance** (sections 202(f), 301 and 302 of the bill)

#### **Present law**

##### **(1) In general**

The State agency must guarantee child care to the extent the care is determined by the State agency to be necessary for an individual's employment in any case where a family has ceased to receive AFDC as a result of increased hours of, or increased income from, employment, or as a result of the loss of earnings disregards. This is known as transitional child care, or TCC. [sec. 402(g)(1)(A)(ii) of the SSA]

Except for the limitations on assistance and the fee requirements described below, child care provisions for TCC (including the Federal matching rates, reimbursement, child care standards, and methods for providing care) are the same as the provisions for AFDC child care outlined above. [sec. 402(g) of the SSA]

Authorization for child care transition benefits sunsets on September 30, 1998.

### **Explanation of provision**

The bill would extend the guarantee for TCC to individuals leaving the WORK program due to increased hours of, or increased income, from employment, or as a result of the loss of earnings disregards.

Policies relating to Federal matching rates, reimbursement, child care standards, and methods for providing care would continue to match policies for AFDC child care. Thus, all

amendments under the bill to those provisions for AFDC child care would apply with respect to TCC.

The sunset provision of current law would be retained.

**(2) Limitations on assistance**

**Present law**

TCC is limited to a period of 12 months after the last month for which the family actually received AFDC. A family is not eligible for TCC unless the family has received AFDC in at least 3 of the 6 months immediately preceding the month in which the family became ineligible for AFDC.  
[sec. 402(g)(1)(A)(iii) and (iv) of the SSA]

**Explanation of provision**

Would retain current law.

**(3) Fee requirement**

**Present law**

Families must contribute to the cost of TCC in accordance with a sliding scale that is established by the State based on ability to pay. [sec. 402(g)(1)(A)(vii) of the SSA]

**Explanation of provision**

The bill would replace current law regarding the sliding scale formula. The State would have to use the same sliding scale formula for TCC that is established by the lead agency for the CCDBG program in the State (under the CCDBG program, States are required to establish a sliding fee scale that provides for cost sharing by families receiving CCDBG services).

**(4) Continuity of care**

**Present law**

No provision.

**Explanation of provision**

Policy under the AFDC child care program relating to continuity of care would apply also with respect to TCC.

**C. At-Risk Child Care**

(sections 301-303, and 306 of the bill)

**(1) In general****Present law**

Capped entitlement funding is available to States to provide child care to low-income families that the State determines:  
 (a) are not receiving AFDC; (b) need such care in order to work; and (c) would otherwise be at risk of becoming dependent upon AFDC.

Policies relating to child care standards, fee schedules and Federal matching rates follow the policies under the AFDC child care and TCC programs, with one exception. In addition to meeting applicable standards of State and local law, all child care providers that receive At-Risk funds must be licensed, regulated or registered (individuals who provide care solely to members of their family do not have to be licensed, regulated, or registered)

(sec. 402(i) and 403(n) of the SSA)

**Explanation of provision**

The bill would replace language restricting At-Risk child care to non-AFDC families with language restricting At-Risk child care to families who are not eligible for AFDC or for TCC child care assistance.

In addition, with respect to child care standards, Federal matching rates, and sliding fee scales, the bill would establish policies for the At-Risk child care program that match the revised policies described above for the AFDC and/or TCC child care programs. Policies on reimbursement and methods of providing care would be substantially similar, as described below.

**(2) Reimbursement****Present law**

Reimbursement for care is at the lesser of the actual cost of care or the applicable local market rate (as determined by the state in accordance with regulations issued by the Secretary).

**Explanation of provision**

Would retain current law.

**(3) Methods of providing care****Present law**

The State agency may provide care itself, arrange care by use of contract or vouchers, provide cash or vouchers in advance to the family, reimburse the family, or adopt any other arrangements deemed appropriate by the agency.  
[sec. 402(i)(2) of the SSA]

#### Explanation of provision

Would retain current law.

#### **(4) Entitlement ceiling**

##### Present law

Federal funding for At-Risk child care expenditures is available as a capped entitlement. The entitlement ceiling for the At-Risk child care program is \$300 million per fiscal year. The funds are allocated on the basis of child population. Allotted funds not claimed by a State for a fiscal year are carried over to increase the allotment of the State for the succeeding fiscal year. [sec. 403(n) of the SSA]

#### Explanation of provision

The entitlement ceiling for the At-Risk child care program would equal \$300 million for fiscal year 1995 and phase-up to \$1.3 billion for fiscal year 2004 according to the following schedule:

|                |      |
|----------------|------|
| \$ .5 billion  | 1996 |
| \$ .6 billion  | 1997 |
| \$ .7 billion  | 1998 |
| \$1.0 billion  | 1999 |
| \$1.05 billion | 2000 |
| \$1.1 billion  | 2001 |
| \$1.15 billion | 2002 |
| \$1.2 billion  | 2003 |
| \$1.3 billion  | 2004 |

The ceiling would be adjusted in subsequent fiscal years based on the CPI and changes in the U.S. child population. Two percent of funds (1 percent after fiscal year 1998) would be set-aside for research, demonstrations and technical assistance activities (see item V.D. below, "Research and Evaluation; Technical Assistance; Demonstration Projects").

The existing carry-over provisions would be replaced with a provision authorizing the reallocation of unused At-Risk funds to States that exceed their allotment. If the amount claimed by States exceeds the amount available for reallocation, reallocation

would have to be done according to an equitable formula to be established by the Secretary by regulation.

**(5) Continuity of care**

**Present law**

No provision.

**Explanation of provision**

States could, at their option, provide or authorize child care to a child for such periods of time as are necessary to assure continuity of care even though, for such periods, the individual whose employment is enabled by the child care may have temporary interruptions in employment.

**(6) State reports on use of funds**

**Present law**

Each State is required to prepare an annual report on the activities carried out with At-Risk funds. Copies of the report have to be made available for public inspection, and the State is required to provide a copy to the Secretary and to any interested public agency that requests the report. The Secretary must compile the State reports annually and submit the compilation to Congress. [sec. 402(i)(6) of the SSA]

**Explanation of provision**

The bill would replace the current law provision. In order to facilitate more accurate analysis of the supply and quality of child care resources, the demand for resources that cannot currently be satisfied, and the effectiveness and relationship of Federal programs providing support for child care and child development activities, the Secretary would have to specify by regulation a core set of consistently defined data elements for child care which must be used by each State with respect to all reports relating to child care or child development activities supported in whole or in part under the Work and Responsibility Act or under the CCDBG Act.

**D. Option to Consolidate State Responsibility for Child Care**  
(section 304 of the bill)

**Present law**

The State agency responsible for administering or supervising the administration of the AFDC program is responsible

for administering or supervising the administration of the AFDC, TCC and At-Risk child care programs.

Under the CCDBG Act, the Governor is required to designate a lead agency to administer the Child Care and Development Block Grant. The designated agency may be the State AFDC agency.

#### **Explanation of provision**

In cases where the lead agency for the CCDBG is other than the State AFDC agency, the AFDC agency would have an option to enter into an agreement with the lead agency for the CCDBG, under which: (1) the AFDC agency would pay (either in advance or as reimbursement) the lead agency for the cost of providing child care for any child with respect to whom care must be guaranteed under the AFDC or transitional child care provisions, or is to be furnished under the At-Risk program, and the lead agency would have to agree that care for all such children will only be paid from such reimbursement; (2) all child care provided under the agreement, whether directly or by contractual or other arrangements, would be subject to the same requirements, standards, and other criteria applicable to CCDBG child care (according to the Department of Health and Human Services, this refers to the provisions of sections 685(B)(c)(2)(A)-(G) of the Child Care and Development Block Grant Act, which are outlined above under item A.(5)); and (3) parents and children would have the same protections and procedural safeguards as are applicable under the CCDBG Act (according to the Department of Health and Human Services, this refers to any protections or safeguards contained in the provisions of sections 685(B)(c)(2)(A)-(G) of the Child Care and Development Block Grant Act, which are outlined above under item A.(5)).

Under the arrangement, the State AFDC agency could not pay the lead agency for care provided to a child an amount less than the Statewide limit specified in the State plan for title IV-A child care for fiscal year 1994, nor more than the amount that equals the lesser of: the actual cost of care, the Statewide limit (which must at least equal the limit for fiscal year 1994), and the applicable local market rate. In the case of At-Risk child care, the AFDC agency would be obligated to pay only to the extent of the appropriations available for the fiscal year.

The bill would make clear that there is nothing in the bill that would preclude the AFDC agency from being designated the lead agency for CCDBG. An agreement would not be necessary where the AFDC agency is designated the lead agency for CCDBG, but the AFDC agency would have to comply with all the above provisions.

#### **E. Funding for Quality Improvement and Licensing Activities**

(section 305 of the bill)

### **Present law**

For grants to States to improve their child care licensing and registration requirements and procedures, to enforce standards with respect to AFDC child care, and to provide for the training of child care providers, \$50 million is authorized for each of fiscal years 1992 through 1994. Grants are made to States in proportion to the number of AFDC children in the State. States are required to provide matching funds in an amount equal to at least 10 percent of the grant amount. At least 50 percent of the grant must be expended to provide training to providers. [sec. 402(g)(6) of the SSA]

### **Explanation of provision**

Effective for fiscal years after 1995, a State would be able to claim reimbursement, as an AFDC administrative cost, for expenditures in connection with licensing, monitoring, and similar activities with respect to child care providers in the State. The Secretary would establish a formula for determining the maximum amount that may be claimed by each State. The formula would have to reflect either the number of children served under the AFDC child care guarantee or the number of child care providers in the State providing care to children receiving AFDC child care, or both, or any other factors which the Secretary determines it would be equitable to consider. The total amount available to States for any fiscal year would not exceed \$15 million.

Also, a State could spend up to 10 percent of its At-Risk funds on activities to improve the quality of child care and to increase the availability in low-income communities of child care appropriate for infants and very young children in a variety of settings. 'Activities to improve the quality of child care' would have the definition given the term under section 658G of the CCDBG Act. Under the definition, such activities include: (1) resource and referral programs specifically related to child care; (2) grants or loans to assist providers in meeting State and local standards; (3) monitoring of compliance with licensing and regulatory requirements; (4) training and technical assistance; and (5) improved compensation for staff providing child care services. Quality and availability improvement activities could be carried out either by the AFDC agency or the lead agency for the CCDBG (in the latter case, the AFDC agency would pay the lead agency the amount provided by the Secretary for this purpose).

### **F. Tribal Child Care Provisions**

(section 204 of the bill)

**Present law**

No provision.

**Explanation of provision**

Tribes and Alaska Native organizations applying to operate JOBS and WORK programs (see item II.L. above, "Special JOBS and WORK Provisions Relating to Indian Tribes and Alaska Native Organizations") could also request as part of the application funding to provide child care for JOBS and WORK participants, AFDC recipients, and families eligible for transitional child care. The application would include a description of JOBS and WORK participants' child care needs and of the proposed program to serve those needs. A tribal child care program would not have to meet any requirement of the title IV-A child care programs (with the exception of health and safety requirements) that the Secretary determines is inappropriate with respect to the program.

The Secretary would have to pay each tribe an amount to provide the child care up to an amount that equals the total amount available to the tribe for its JOBS and WORK programs. A non-Federal match would not be required. In cases where JOBS or WORK participants are in a service area for which a tribe receives child care funding under these provisions, the State would not be obligated to provide child care services.

The Secretary would have to establish data collection and reporting requirements and performance standards for child care programs implemented under these provisions.

## V. PROVISIONS WITH MULTI-PROGRAM APPLICABILITY

### A. Performance Standards (section 401 of the bill)

#### Present law

Under the Family Support Act of 1988, as amended by the Social Security Amendments Act of 1994, the Secretary is required to develop criteria for performance standards for the JOBS program and submit her recommendations with respect to performance standards to appropriate committees of Congress by October 1, 1994. The recommendations must be made with respect to specific measurements of outcomes, must not be based solely on levels of activity or participation, and must take into account what States reasonably can be expected to achieve.

In developing the criteria for performance standards, the Secretary is required to consult with the Secretary of Labor, representatives of organizations representing Governors, State and local program administrators, educators, State job training coordinating councils, community-based organizations, recipients and other interested persons.

The Secretary may collect information from States in developing the criteria, and is required to develop regulations establishing uniform reporting requirements under which States are required to furnish information and data periodically.

The Secretary must develop and transmit to Congress a proposal for measuring State progress, providing technical assistance, and modifying the Federal matching rate to reflect the relative effectiveness of the various States in carrying out the JOBS program.

[sec. 487 of the SSA]

#### Explanation of provision

Would replace the existing provision on performance standards with a new provision.

#### (1) *Development of factors to be measured*

Under the new provision, the Secretary would be required to develop recommendations for factors to be measured in assessing State JOBS and WORK programs, together with specific elements to be examined and the methodology for collecting the necessary data. Factors would have to include the percentage of a State's

AFDC caseload subject to time limits that receives AFDC for 24 cumulative months and could include factors such as those used under section 106 of the Job Training Partnership Act (i.e., placement in unsubsidized employment; retention for not less than 6 months in unsubsidized employment; an increase in earnings, including hourly wages; a reduction in welfare dependency; and acquisition of skills required to promote continued employability in the local labor market, or acquisition of a high school diploma or the equivalent of a diploma, if the acquisition of such skills or diploma is in addition to obtaining one or more of the other outcomes), as well as: (a) the increase in employment and level of earnings of program participants after leaving JOBS and WORK; (b) the retention of program participants for significant periods of time in unsubsidized employment, (c) the decrease in the rate of dependency on welfare of participants' families, (d) the improvement in the long-term economic well-being of families with children, and (e) other factors the Secretary finds appropriate.

The Secretary would have to solicit views on the recommendations from the Secretaries of Labor and Education, and other Federal, State and local officials (including representatives of associations of such officials) from both the executive and legislative branches, and from other individuals and organizations with expertise in the fields of social welfare, education and training programs for children and adults, employment-related programs and social and supportive services, as well as from community-based organizations and former and current program participants.

The Secretary would be required to publish in the Federal Register the proposed factors to be measured in assessing State's performance in administering JOBS and WORK by October 1, 1996.

## **(2) Development of performance standards**

Not later than April 1, 1998, the Secretary would have to develop recommended standards to be applied to each of the factors, and would have to solicit views on the recommended standards from officials, organizations, and individuals broadly representative of the groups described above whose views must be solicited on the factors to be measured. By October 1, 1998, the Secretary would have to publish the standards to be applied to the measurement factors.

The performance standards would have to include provisions for cost-effective methods of data collection. Such methods could include access to earnings records, State employment security records, IRS records collected under the Federal Insurance Contributions Act, and AFDC records, with appropriate confidentiality safeguards and the use of statistical sampling.

### **(3) Incentives and penalties**

No later than October 1, 1998, the Secretary would have to issue regulations prescribing incentives for States that meet or exceed the performance standards and penalties for States that fail to meet standards. In developing the regulations, the Secretary would consider the relationship between penalties and incentives as a means of achieving the proposed standards, and consider whether penalties and incentives are sufficient to ensure that States incurring costs to meet standards are financially better off than those that do not. The regulations would have to provide for a delay of a penalty when the Secretary finds it appropriate to afford a State time to develop and (with the Secretary's approval) implement a corrective action plan. If successful, the corrective action plan would obviate the application of a penalty. The regulations would also provide for technical assistance to States to improve their programs and avoid the application of penalties.

Periodically, and in consultation with officials, organizations, and individuals broadly representative of the groups whose views must be solicited on the factors to be measured, the Secretary would have to review the factors to be measured, standards of performance, incentives and penalties provided for under the performance measurement system and propose any appropriate modifications. Before implementing any modifications, the Secretary would have to provide opportunity for review and comment.

The Secretary would have to publicize information on State performance relative to the standards annually.

States would have to collect and furnish data which the Secretary requires to assist in the development of factors to measure performance and standards to be applied to the factors.

States also would have to establish a range of methods for soliciting, on a regular and ongoing basis, the views of JOBS and WORK participants, and their employers, on the quality and effectiveness of the programs' services. The information obtained from participants and employers would have to be analyzed and summarized by the State and made available for use in improving the JOBS and WORK programs.

### **B. AFDC Quality Control System Amendments (section 402 of the bill)**

#### **Present law**

The stated purpose of the AFDC quality control (QC) system is to improve the accuracy of AFDC payments by the States. To this end, the system must be designed to enable the Secretary to determine the amount (if any) of the disallowance required to be repaid by a State to the Secretary due to erroneous State payments. The erroneous payments identified and measured in the quality control system result from factors ranging from simple arithmetical mistakes, to incomplete or inaccurate reporting of income, to recipient fraud.

The AFDC QC system and disallowance rules were completely revised under the Omnibus Budget Reconciliation Act of 1989 (P.L. 102-239), beginning for fiscal year 1991. The new system:

1. imposes penalties on States whose payment error rates are above the national average.
2. establishes penalties based on a sliding scale which reflects the degree to which a State's error rate exceeds the national average.
3. takes into account both overpayments and underpayments that are made to AFDC recipients, and gives States an incentive to improve their overpayment recoveries and AFDC child support collection programs.
4. establishes a new Quality Control Review Panel to assure that quality control review cases that are in dispute between States and the Federal government are resolved in a uniform and fair manner.
5. retains the Departmental Appeals Board to resolve all remaining issues in dispute between the States and the Federal government.

[sec. 408 of the SSA]

#### Explanation of provision

The bill would retain the provisions of the existing AFDC QC system, with the following modifications:

First, the bill would expand the purpose of the AFDC QC system. The stated purpose of the system would be to: (1) improve the accuracy of AFDC payments and WORK wages, to assess the accuracy of State-reported data relating to the JOBS and WORK programs and implementation of time limits; (2) to determine the number of JOBS deferrals and time limit extensions granted by each State; (3) to determine whether JOBS and WORK participation standards have been met; (4) to assess the effectiveness of the State's program by applying the new performance standards (see

item A. above, "Performance Standards"); and (5) to serve other purposes the Secretary finds appropriate for a performance measurement system. The system would have to be designed to secure the accurate data needed to measure performance, identify areas in which corrective action is necessary, and determine the amount (if any) of the disallowance required to be repaid to the Secretary because of erroneous payments made by the State, or its failure to meet participation or performance standards.

Second, the bill would require the Secretary to specify in regulation what payments will be treated as erroneous AFDC payments because a State exceeds the limits on JOBS deferrals or extensions of the time limit, or fails to meet participation or performance standards. The Secretary also would have to specify in regulation the additional data elements States must include in their quality control samples (and whether separate sample reviews will be required) in order for the Secretary to determine whether participation rates and performance standards have been achieved. The Secretary also would have to specify requirements related to sample size and selection of samples, and related to the methodology for making statistically valid estimates of the State's compliance with limits on deferrals and extensions, and achievement of participation rates and performance.

Third, the bill would add a provision allowing a State to receive Federal reimbursement to conduct studies approved by the Secretary to test and improve its quality control system, and adapt it to the new quality control requirements. Expenditures relating to approved studies would be reimbursed as AFDC administrative costs.

Finally, the bill would require the Secretary to consult with State agencies administering AFDC, JOBS, and WORK programs and other knowledgeable parties about the design and administration of the revised QC system (and performance measurement systems). By April 1, 1995, the Secretary would have to report to the Congress and publish proposed rules necessary to implement the amendments to the quality control system.

**C. National Welfare Receipt Registry, State Information Systems**

(section 403 of the bill)

**(1) *National welfare receipt registry***

**Present law**

No provision.

**Explanation of provision**

The bill would establish an automated National Welfare Receipt Registry and require State participation in it.

The Secretary would have to establish and maintain a National Welfare Receipt Registry with data from each State AFDC agency on receipt of AFDC and WORK program wages. Information in the registry would have to include, for each individual in the family who has received AFDC, the following: name, date of birth, social security number (SSN), months of receipt of AFDC (including JOBS, child support and WORK sanction months), months in deferral status, months for which an extension to a time limit was granted, months of registration in the WORK program and assignment to a WORK position, and other information the Secretary determines would help in program administration, including performance measurement.

The Secretary would have to respond promptly to requests of State AFDC agencies for information from the registry on individuals identified by name and SSN. Responses would have to be electronic and would have to indicate the States where such individuals were paid AFDC payments or registered in WORK for any month or indicate that requested information is not in the registry.

The Secretary would have to issue regulations regarding the format and process for both State data submission and information requests, safeguarding by the State of access to the registry and information from the registry, and assurances against redisclosure. In setting such requirements, the Secretary would have to consider the technological capability of individual States and allow alternative procedures if a State can demonstrate that: (a) the procedures will be effective; and (b) it has an approved advance planning document in effect (see item (2)(b) below, "Advance planning document").

The Secretary would not be liable to either a State or an individual for inaccurate information provided to the Registry by one State and reported by the Secretary to a second State.

In addition to appropriate disclosures to the States, the Secretary could disclose information from the registry to the Social Security Administration for verification and correction of SSNs, as well as determining the accuracy of payments for SSI and OASDI; to the Internal Revenue Service for purposes related to administering EITC and the dependent care tax credit; to the Secretary of Labor (or the appropriate State agencies) for unemployment compensation purposes; and for purposes of researching AFDC, JOBS and WORK programs (but, in this latter case, with no personal identifiers).

For establishing the registry, \$6 million would be authorized for fiscal year 1995. For operating the registry, \$4 million would be authorized for each of the fiscal years 1996 through 1999.

State responsibilities in support of the registry are specified in the bill. Under their State AFDC plans, States would have to provide that they will report information at such times, in such format, and by such process as required by the Secretary. States would have to request appropriate data from the registry and other registries maintained under the National Welfare Reform Information Clearinghouse (see item VII.C.(5) below) in the manner prescribed by the Secretary, and use all information that would facilitate the proper and efficient operation of the State's JOBS and WORK programs, and programs under the AFDC statute. States would also have to cooperate in furnishing information to each other to resolve disagreements about data in the registry and report appropriate corrections to the registry.

## **(2) State automated information systems**

### **Present law**

#### **(a) In general**

At their option, States may establish and operate an automated statewide management information system to assist management in administering the AFDC State plan in order:

- i. to control and account for factors in the eligibility determination process to: (A) assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether an individual is or has been receiving benefits from more than one jurisdiction, and (B) check the records of applicants and recipients on a periodic basis for determination and verification of eligibility and payment; and to control and account for the costs, quality and delivery of funds and services furnished to applicants and recipients;
- ii. to notify appropriate officials of child support, food stamp, social services, and medicaid programs whenever the case becomes ineligible or the amount of aid or services is changed; and
- iii. to provide for security against unauthorized access to or use of data in the system.

The system must be established in accordance with an initial and annually updated advance automated data processing planning document approved by the Secretary.

*(b) Advance planning document*

The Secretary may not approve the planning document unless she finds that the document, when implemented, will meet certain conditions. The Secretary is required to review, assess and inspect the planning, design and operation of the systems on a continuing basis, in order to determine whether, and to what extent, the systems meet requirements. If a substantial failure to comply is found, the Secretary is required to suspend approval of the planning document until the failure no longer exists. In addition, if the Secretary determines that a State has not implemented the system in accordance with the timetable in the planning document, the State faces a reduction in Federal reimbursement if the Secretary has not extended the deadline due to circumstances beyond the State's control. The reduction is made in an amount equal to 40 percent of Federal expenditures on the management system.

*(c) Technical assistance*

The Secretary must provide technical assistance to States that she determines necessary to assist States to plan, design, develop, or install, and provide for the security of, the management information systems.

*(d) Federal reimbursement*

State expenditures relating to the planning, design, development and installation of the systems are reimbursed by the Federal government at a rate of 50 percent.

[sec. 402(a)(30); 402(e); and 403(a)(3) of the SSA]

**Explanation of provision**

*(a) In general*

The bill would replace the provisions of current law. The bill would require that each State provide for an automated system which efficiently and economically meets the needs of the National Welfare Receipt Registry (see item C. above, "National Welfare Receipt Registry") and protects the data against unauthorized access or use.

At their option, States would be authorized to establish and operate a Statewide automated information systems in

accordance with an approved advance planning document. Such systems would assist in the administration of the AFDC State plan by providing for automated intake and referral, coordinated child care services, or JOBS administration (including tracking and JOBS/WORK assessments). Such systems would have to include security protections. They could also provide for development or, if cost-effective, enhancement of an automated AFDC eligibility determination system.

*(b) Advance planning document*

The bill would replace the existing language on requirements for advance planning documents with new language which would prohibit approvals of documents which: (i) are not consistent with economical, efficient, and effective implementation; and (ii) are not supported by a plan which addresses the State's approach, schedule, resource needs and the project's cost-benefit. It would retain the requirement on the Secretary to conduct ongoing reviews of approved State systems. It would delete provisions related to the consequences of a State's failure to meet systems or schedule requirements.

*(c) Technical assistance*

The bill would replace existing language authorizing technical assistance for systems development with language providing for the development of model automated information management systems and technical assistance.

In partnership with the States the Secretary would have to design and develop model automated support and case management systems to help States participate in the National Welfare Receipt Registry and perform the functions specified above for the optional system (with respect to intake and referral, coordinated child care services, and JOBS and WORK administration). The Secretary would also give States technical assistance in adopting such model systems.

Two or more States could collaborate on developing model systems. In such a case, the Secretary would have to provide appropriate technical assistance and otherwise assist the States in meeting requirements.

Model systems developed by the Secretary or by collaborating States would have to: (i) with respect to AFDC, be capable of assisting with intake and referral; (ii) with respect to child care programs under the AFDC statute and the Child Care and Development Block Grant, perform eligibility, tracking, payment, management and reporting functions; and (iii) with respect to JOBS and WORK assist in assessments,

employability planning, monitoring and tracking of attendance and participation. They would also have to be capable of electronic data exchange with related systems and of providing required information on program performance (see item V.A. above, "Performance Standards"). For each of fiscal years 1995 and 1996, \$7.5 million would be authorized for development of model and collaborative systems.

In addition to technical assistance required in connection with the model systems, the Secretary would have to provide additional appropriate training and technical assistance to help States develop and implement automated management systems promptly and cost-effectively. For each of the fiscal years 1995 through 1999, \$1 million would be authorized for this purpose.

*(d) Federal reimbursement*

The bill would provide for enhanced matching rates for State expenditures, under an approved advance planning document, on: (i) cost-effective systems modifications related to meeting the requirements of the National Welfare Receipt Registry or (ii) adoption of a model system developed by the Secretary or collaborating States. Expenditures for development and implementation would be matched at the higher of the enhanced matching rate applicable for the JOBS program (see item III.A.(1)(b) above, "Federal matching rate"), or 80 percent. The total amount of funds available for these purposes over a 5-year period would be \$800 million. This amount would be allocated among States based on caseloads and automation needs. Payments would be made to States following normal AFDC procedures and based on the status of a State's implementation under its advance planning document.

**D. Research and Evaluation; Technical Assistance; Demonstration Projects (section 404 of the bill)**

**Present law**

The Secretary has authority under various provisions of the Social Security Act, the Family Support Act, and other laws to conduct research and evaluations, and demonstration projects, and to provide technical assistance.

**Explanation of provision**

Two percent of funds in the capped entitlements for the JOBS, WORK and At-Risk Child Care programs (1 percent for fiscal years after 1998) would be available each year for the purpose of carrying out specified research and evaluation

projects, technical assistance and demonstration projects, and for other activities related to the bill. The specified projects and technical assistance include the following:

**(1) Research and evaluation**

In addition to any other research and evaluation she finds appropriate with respect to the bill, the Secretary would have to, in consultation with the Secretaries of Labor and Education, conduct research and evaluation studies of the time-limited programs of assistance (which provide training and preparation for employment and are followed by a program of required employment or employment-related activities). The studies would have to use a scientifically acceptable methodology. They would include:

- a. a two-phase implementation study which would look at issues such as initial implementation efforts, administrative structures and obstacles, program design, funding and services, participation, implementation experiences, and effects on program administration and institutions;
- b. an evaluation, in a variety of States and localities, using random assignment and other rigorous methods, of program impacts on self-sufficiency, employment, dependency, teen pregnancy, income, family structure, and the well-being of children;
- c. jointly with Department of Labor, a comprehensive national study of the WORK program's success in moving individuals into unsubsidized jobs and of the skills and employment barriers of WORK participants who cannot move to unsubsidized employment after 2 years of WORK participation.

**(2) Technical assistance**

The Secretary would be authorized to provide a broad range of technical assistance to State, territorial and tribal agencies, including training, consultations, and fostering the exchange of information among States and others about practices, strategies and techniques that are proving effective.

**(3) Demonstration projects**

The bill would authorize demonstration projects in the four areas described below. For all demonstrations, the Secretary would have to prescribe a minimum project length,

methodology requirements (such as assignment rules), financial contributions by applicants, allowable expenditures, reporting and evaluation requirements, and other rules necessary to ensure program integrity and the protection of participants.

- a. *Job placement demonstrations* -- The bill would authorize up to 10 demonstrations of innovative techniques to increase JOBS placements in unsubsidized, lasting employment. Up to 5 such projects could test use of private placement firms, and up to 5 could test placement bonuses for agency staff. All such projects would have to incorporate specific performance standards. All projects involving private agencies would have to specify services to be provided and indicate whether WORK participants will also participate.
- b. *Work-for-wages demonstrations* -- The bill would authorize up to 5 local demonstrations to test WORK programs conducted outside the structure of the welfare system. Such projects would provide that: (i) welfare cases are closed when recipients reach their time limit; (ii) such recipients will be given an opportunity to participate in the project; (iii) such individuals will have the opportunity to earn wages, stipends or both (so as to provide income comparable to AFDC benefit levels) when they participate; and (iv) appropriate elements and protections of the WORK program will be followed (in accordance with requirements of the Secretary). States would be encouraged to standardize stipends, if possible.
- c. *WORK support agency demonstrations* -- The bill would authorize the Secretary, in consultation with the Secretaries of Labor, Agriculture, and Treasury, to approve demonstrations in up to 5 States of a Work Support Agency which would provide a broad range of services and assistance to former recipients to help them keep their jobs. The services and assistance could include help in accessing other benefits, intervention in dealing with family emergencies, and short-term or one-time financial aid.
- d. *Noncustodial parent demonstrations* -- The bill would authorize the Secretary to make grants to States, tribes, Alaska Native organizations, and community-based organizations for projects which encourage innovative parenting programs for non-custodial parents and build upon existing programs for high-risk families. The importance of parental

involvement and economic security in the healthy development of children would be emphasized. Applications would have to include descriptions of services to be provided and coordination of services with related programs such as Head Start, Healthy Start, Even Start, and Family Preservation and Support.

**E. Offsets to Mandatory Spending from Reduced Fraud, Waste, and Abuse** (section 405 of the bill)

**Present law**

No provision.

**Explanation of provision**

The bill would require that, in order to ensure that the expected savings from the legislation are achieved, the Secretary must certify to the Director of OMB that all systems under the National Welfare Reform Information Clearinghouse (see item VII.C.(5) below) are receiving and properly transmitting data and otherwise complying with requirements for that system. The Director of OMB would have to determine whether appropriate Federal agencies are fully complying and utilizing all data from the systems to reduce fraud, waste and abuse. If he affirms that is the case, he would so certify. (These requirements would be effective for fiscal years 1998 through 20003.)

If, after consultation with the Secretary, the Director of OMB finds that, in spite of these steps, the systems are not achieving the expected savings, reductions in spending would be imposed to make up for the savings deficiency. Reductions would be taken first from the amounts provided to the Secretary for research, demonstrations, and technical assistance under item D. above, and for technical assistance to child support enforcement agencies under item VII.B.(6) below. If those reductions are insufficient to cover the deficiency, States which fail to make full use of the Clearinghouse data would face up to a 3 percent reduction in their matching funds for administrative expenditures under the AFDC statute.

The provision would add the various registries in the Clearinghouse to the list of data sources which are part of the Income Eligibility and Verification System (the system is used to verify eligibility for AFDC and other public assistance programs, as well as to verify the immigration status of noncitizens). It also provides that, prior to the full implementation of the Directory of New Hires (see item VII.C.(5) below), State-

maintained systems with similar data would be included, if cost-effective.

The Social Security Administration and the Secretary of the Treasury would be required to make full use of the data in the Clearinghouse to the extent useful in meeting their statutory responsibilities and reducing fraud, waste and abuse.

## VI. PREVENTION OF DEPENDENCY

### A. Supervised Living Arrangements for Minors (section 501 of the bill)

#### Present law

Under the Family Support Act of 1988, States have the option to require that a minor under age 18 who has never married and who has a child (or is pregnant) reside with a parent, legal guardian, or other adult relative, or in a foster home, maternity home, or other adult-supervised supportive living arrangement, in order to receive AFDC.

This requirement does not apply if: (1) the individual has no parent or legal guardian who is living and whose whereabouts are known; (2) the parent or legal guardian does not allow the individual to live in the home; (3) the State agency determines that the physical or emotional health or safety of the individual or her child would be jeopardized; (4) the individual lived apart from her parent or legal guardian for a period of at least one year prior to the birth of the child or applying for benefits; or (5) the State agency otherwise determines (under Federal regulations) that there is good cause for waiving the arrangement.

Where possible, assistance must be paid to the parent or legal guardian on behalf of the minor parent and the child.

[sec. 402(a)(43) of the SSA]

#### Explanation of provision

The bill would make the provision mandatory on the States, rather than optional. In addition, foster homes, maternity homes, and other adult-supervised living arrangements would no longer be treated as analogous to the home of the minor's parents (i.e., language in current law referring to these living arrangements would be deleted).

The bill would add language requiring that, if a State agency finds that a minor parent meets one of the exceptions to the requirement to live with a parent or legal guardian, the State agency would have to assist in locating an appropriate adult-supervised supportive living arrangement taking into consideration the needs and concerns of the minor (or may determine that the individual's current living arrangement is appropriate) and require the minor to live in this setting (or in an alternative appropriate arrangement, should circumstances change and the current arrangement cease to be appropriate) as a

condition of eligibility. If the State agency is unable to locate an appropriate arrangement, it must provide comprehensive case management, monitoring, and other social services consistent with the best interest of the minor and the minor's child while they live independently.

**B. State Option to Limit Benefit Increases for Additional Children**  
(section 502 of the bill)

**Present law**

Federal regulations require that States specify a statewide standard, expressed in money amounts, to be used in determining the need of applicants and recipients, and the amount of the assistance payment. The standard must be uniformly applied throughout the State. (CFR 45 233.20(a)(2))

Current law requires that States develop a program, for each appropriate member of an assistance unit, for preventing or reducing the incidence of births out of wedlock and otherwise strengthening family life, and for implementing the program by assuring that in all appropriate cases (including minors who can be considered to be sexually active) family planning services are offered to them and are provided promptly (directly or under arrangements with others) to all individuals voluntarily requesting such services. Acceptance of family planning services must not be mandatory and must not be a prerequisite to eligibility for or receipt of any other services under the State AFDC plan. [sec. 402(a)(15) of the SSA] State expenditures for family planning services may not be reimbursed as administrative costs under the AFDC program. [sec. 403(a)(3) of the SSA]

Section 1115 of the Social Security Act provides States an opportunity to seek waivers of Federal AFDC law. Section 1115 waiver authority is limited to any experimental, pilot or demonstration project which, in the judgement of the Secretary, is likely to assist in promoting the objectives of the AFDC and other programs. Several States have sought and been granted waiver authority to limit benefit increases to an AFDC family for children conceived while the family is receiving AFDC.

**Explanation of provision**

The bill would allow a State plan to provide that the amount of benefits paid to a family on assistance would not increase with the birth of an additional child or would increase by an amount that would be less than the amount that would be otherwise paid with the birth of an additional child. The provision would apply in the case of children conceived by a custodial AFDC

parent or a dependent child who already has a child on assistance. Additional aid could be denied only if the family was offered family planning services under the program as required under current AFDC law; expenditures on counseling or referral services (but no other types of family planning services) would be allowable administrative costs under the AFDC program (with a Federal matching rate of 50 percent).

If the family has child support, earned income, or income from another source approved by the Secretary, the State would be required to disregard such income in (up to????) an amount equal to the amount the AFDC payment would otherwise have increased.

Additional aid could not be denied in cases of rape or where the State determines it would be violating standards of fairness or good conscience to do so.

**C. Case Management for Parents Under Age 20**  
(section 503 of the bill)

**Present law**

The State agency may assign a case manager to each JOBS participant and the participant's family. The case manager must be responsible for assisting the family in obtaining services which may be needed to assure effective participation in the program. [sec. 482(b)(3) of the SSA]

**Explanation of provision**

As noted under item I.E.(4) above, "Case management," the bill would retain current law for custodial parents ages 20 and over. However, for custodial parents receiving AFDC who are under age 20, the State agency would be required to assign a case manager. The case managers would have to have the training necessary (taking into consideration the recommendations of appropriate professional organizations) to enable them to carry out their responsibilities and would have to be assigned a caseload of a size which permits effective case management. The case manager would be responsible for assisting the young parent in obtaining appropriate services (including at a minimum parenting education, family planning services, education and vocational training, and child care and transportation services), determining eligibility for the "minor parent" rule (item A. above), monitoring the parent's compliance with program requirements, applying any relevant incentives and sanctions, and providing general guidance, encouragement and support.

**D. State Option to Provide Incentives and Penalties to Encourage Teen Parents to Complete High School and Participate in Parenting Activities**  
(section 504 of the bill)

**Present law**

The Family Support Act of 1988 emphasized educational activities for teen parents on welfare. With respect to a custodial parent under age 20 who has not completed high school or its equivalent and is not otherwise exempt from JOBS participation, the State must require participation in high school education or education designed to prepare a person to qualify for a high school equivalency degree or equivalent, if the JOBS program is available and State resources permit. [sec. 402(a)(19)(E) of the SSA]

Section 1115 of the Social Security Act provides States an opportunity to seek waivers of Federal AFDC law. Section 1115 waiver authority is limited to any experimental, pilot or demonstration project which, in the judgement of the Secretary, is likely to assist in promoting the objectives of the AFDC and other programs. A number of States have been granted waiver authority to impose incentives and/or sanctions to encourage or require teen parents on AFDC to continue their education.

**Explanation of provision**

States would have the option under the AFDC program to require some or all custodial parents under age 20 (and pregnant women under age 20) who are receiving AFDC to participate in a program of monetary incentives and penalties, in order to encourage high school completion or its equivalent, and participation in parenting activities.

If a State chooses this option, its State plan would have to specify where in the State it will be implemented and detail how it will operate. At their option, States could include 20-year-olds. They could require full-time education, special vocational skills training, or parenting education activities. Case managers for teens must review the needs of the parent and assure that, either in the initial development or revision of the parent's employability plan, a description will be included of the services that will be provided to the parent and the way in which the case manager and service providers will coordinate with the educational or skills training activities in which the custodial parent is participating. States must provide monetary incentives to those who exceed minimal educational expectations and penalties (which may be the JOBS sanctions or other monetary penalties approved by the Secretary that the State finds will better achieve the objectives of the program).

Monetary incentives must be paid directly to the parent (even if the AFDC payment is not). Monetary incentives would be considered AFDC. For purposes of any other Federal or Federally-assisted program based on need, no monetary incentive would be considered income. Also, if AFDC is reduced by reason of a penalty, other programs would treat the family as if no penalty had been applied.

States must provide information requested by the Secretary and cooperate in evaluating the effectiveness on a broad basis of programs operated under this provision.

## **X. Adolescent Pregnancy Prevention Grants** (section 505 of the bill)

### **Present law**

Title XX of the Social Security Act, the social services block grant program, provides assistance to States to enable them to furnish services directed at the five goals of the statute:

1. achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency;
2. achieving or maintaining self-sufficiency, including reduction or prevention of dependency;
3. preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families;
4. preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care; and
5. securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions.

States are given wide discretion to determine the services to be provided and the groups who may be eligible for services, usually low income families and individuals. In addition to supporting social services, the law allows States to use their allotment for staff training, administration, planning, evaluation, and purchasing technical assistance in developing, implementing, or administering the State social service program. States decide what amount of the Federal allotment to spend on services, training, and administration.

Some restrictions are placed on the use of title XX funds. Funds cannot be used for the following: most medical care except family planning; rehabilitation and certain detoxification services; purchase of land, construction, or major capital improvements; most room and board except emergency short-term

services; educational services generally provided by public schools; most social services provided in and by employees of hospitals, nursing homes, and prisons; cash payments for subsistence; child day care services that do not meet state and local standards; and wages as a "social service" (except wages of welfare recipients employed in child day care)..

In 1993, 23 States or territories offered family planning services using title XX social services block grant funds.

### **Explanation of provision**

Effective October 1, 1994, the bill would amend the title XX social services block grant to establish a separate capped entitlement program for the development of school-linked and school-based pregnancy prevention programs for adolescents and their families in areas of high poverty or high unmarried adolescent birth rates. A new section would be added at the end of title XX, with the following provisions:

#### **(1) Purpose**

The purpose would be to encourage and provide financial assistance for the development of intensive and sustained school-linked and school-based pregnancy prevention programs for adolescents in areas of high poverty and high unmarried adolescent birth rates that build upon other Federal, State, and local pregnancy prevention and youth development programs.

#### **(2) General authority**

The bill would require the Secretary of HHS, the Secretary of Education, and the Chief Executive Officer of the Corporation for National and Community Service (hereinafter referred to as the responsible Federal officials), in consultation with other relevant Federal agencies, to jointly make grants to eligible entities to carry out the adolescent pregnancy prevention programs.

#### **(3) Federal administration**

The bill would provide for joint administration and joint issuance of regulations, procedures, and guidelines by the responsible Federal officials. It would also allow the responsible Federal officials to enter into agreements with any other Federal entity with expertise in youth development activities to administer this section.

#### **(4) Funding**

The bill would require the responsible Federal officials to make grants, to carry out evaluation, training, and technical assistance activities, and to establish and operate a National Clearinghouse on Adolescent Pregnancy Prevention Programs (hereinafter Clearinghouse) so that in the aggregate the expenditures for the grants and activities do not exceed \$20 million for fiscal year 1995, \$40 million for fiscal year 1996, \$60 million for fiscal year 1997, \$80 million for fiscal year 1998, and \$100 million for fiscal year 1999 and each subsequent fiscal year.

Each approved grant applicant would be entitled to payment of at least \$50,000 and not more than \$400,000 for each fiscal year based on an assessment by the responsible Federal officials of the scope and quality of the proposed program and the number of adolescents to be served. Payments to a grantee for any fiscal year would remain available for expenditure in such fiscal year or the succeeding fiscal year.

The bill would reserve to the responsible Federal officials, with respect to each fiscal year, up to 10 percent of the aggregate amount of funding for expenditure by the responsible Federal officials for evaluation, training, and technical assistance, and for the establishment and operation of the Clearinghouse.

The bill would require that if for any fiscal year the aggregate amount of funding exceeds the amount required to carry out approved grant applications, evaluation, training, and technical assistance activities, and establishment and operation of the Clearinghouse, then funding to States for social services under the title XX social services block grant would be increased by the excess.

#### **(5) Definitions**

The following definitions would be provided:

The term 'adolescents' means youth who are ages 10 through 19.

The term 'eligible entity' means a partnership that includes: (a) a local education agency, acting on behalf of 1 or more schools; together with (b) 1 or more community-based organizations, institutions of higher education, or public or private agencies or organizations.

The term 'eligible area' means a school attendance area in which: (a) at least 75 percent of the children are from low-income families as that term is used in part A of title I of the Elementary and Secondary Education Act of 1965; (b) the number of children receiving AFDC is substantial as determined by the

responsible Federal officials; or (c) the unmarried adolescent birth rate is high, as determined by the responsible Federal officials.

The term 'school' means a public elementary, middle, or secondary school.

#### **(6) Uses of funds**

The bill would specify that grants must be used (a) to develop, operate, expand, and improve sequential, age-appropriate programs of instruction and counseling services for adolescents designed to promote personal responsibility and a healthy, drug-free lifestyle, and to prevent adolescent pregnancy; and (b) to provide opportunities for at-risk youth to develop sustained contact with 1 or more volunteer or professionally trained adults to promote character development.

In addition, grants could be used to conduct other related activities that promote the purposes of the grants.

#### **(7) Application**

Applications would have to:

- a. include a plan, based on local needs, that (i) sets forth specific, measurable goals and describes how progress toward such goals will be measured; (ii) describes the components of the program, including the role of any national service participants and the activities that will be made available under the program, and describes the manner in which such components will be implemented; and (iii) describes how 1 or more professional staff will administer the program, and, where appropriate or feasible, how national service participants will be involved in the development or delivery of services and in the coordination of during or after-school activities;
- b. demonstrate how the program will be based on research concerning effective means of reducing adolescent pregnancy, including reducing risk-taking behaviors correlated with adolescent pregnancy;
- c. demonstrate that the program will serve male and female adolescents and, where feasible, out-of-school adolescents, and describe the steps the applicant will take to serve such adolescents;

- d. demonstrate how the applicant will provide, to the extent feasible, a continuity of services for adolescents until age 19;
- e. demonstrate the extent to which school personnel, parents, community organizations, and the adolescents to be served have participated in the development of the application and will participate in the planning and implementation of the program;
- f. describe the applicant's partnership, including the relationship of the partners, the role of each partner in the development and implementation of the program, and how the partners will coordinate their resources;
- g. describe the nature and scope of commitment to the program by other community institutions;
- h. describe how services provided under the program will be coordinated with services provided under other programs serving the same population;
- i. demonstrate that the area to be served is an eligible area;
- j. contain assurances that at least 1 activity will be school-based and describe the school-based activities;
- k. contain assurances that the amounts provided will not be used to supplant Federal, State, or local funds for services and activities that promote the same purposes;
- l. contain assurances that the applicant will provide a non-Federal share, in cash or in kind, of at least 20 percent of the cost of carrying out the approved program;
- m. describe the applicant's plan for continuation of the program following completion of the grant period and termination of Federal support; and
- n. contain assurances that the applicant will furnish such reports and participate in such evaluations as required by the responsible Federal officials.

**(8) Priorities**

Responsible Federal officials would have to give priority to applicants that provide for non-Federal resources significantly in excess of 20 percent or for an increasing ratio of non-Federal resources over the term of the grant, and that participate in other Federal and non-Federal programs that relate to the purposes of this section.

**(9) Treatment as non-Federal share**

The bill would specify that, for purposes of the National and Community Service Act of 1990, the funds provided to a grantee under this section would not be considered Federal funds.

**(10) Prohibition on use of funds**

The bill would prohibit the use of assistance made available under this section to provide religious instruction, to conduct worship services, or to promote any religious view or teaching in any manner.

**(11) Geographic diversity**

The bill would require the responsible Federal officials to ensure, to the extent feasible, that applications are approved from both urban and rural areas and reflect nationwide geographic diversity.

**(12) Application period**

The bill would require that an application approved under this section be for a term of 5 years; except that approval could be terminated before the end of such period if the responsible Federal officials determine that the grantee conducting the program has failed substantially to carry out the program as described in the approved application.

**(13) Evaluation, training and technical assistance**

The bill would require the responsible Federal officials to evaluate the effectiveness of the programs, directly or by grant or contract. It would also permit the responsible Federal officials to provide training and technical assistance. The responsible Federal officials would also be required to coordinate evaluation, training, and technical assistance conducted under this section with the activities conducted by the Clearinghouse.

**(14) National clearinghouse on adolescent pregnancy**

The bill would establish a national center for the collection and provision of programmatic information and technical assistance that relates to adolescent pregnancy prevention programs, to be known as the National Clearinghouse on Adolescent Pregnancy Prevention Programs.

The Clearinghouse would serve as a national information and data clearinghouse, and as a training, technical assistance, and material development source for adolescent pregnancy prevention programs.

**F. Demonstration Projects to Provide Comprehensive Services to Prevent Teen Pregnancy in High-Risk Communities**  
(section 506 of the bill)

**Present law**

See item E. above.

**Explanation of provision**

Effective October 1, 1994, the bill would amend the title XX social services block grant to establish a separate capped entitlement for demonstration projects to provide comprehensive services, with particular emphasis on pregnancy prevention, to certain youth and their families in high-risk communities. A new section would be added at the end of title XX, with the following provisions:

***(1) Purpose; approval of project***

The bill would require the Secretary of HHS to conduct demonstration projects in order to stimulate the development of innovative approaches for the effective delivery of comprehensive services, with particular emphasis on pregnancy prevention, to certain youth and their families in high-risk communities and the promotion of community involvement in improving the environment in which such youth live.

It would require the Secretary, in consultation with the Secretary of Education, the Secretary of Housing and Urban Development, the Attorney General, the Secretary of Labor, and the Director of the Office of National Drug Control Policy, to approve at least 5 and not more than 7 projects. Upon approval by the Secretary, each applicant would be entitled to payment of \$3.6 million for each of fiscal years 1995 through 1999 to conduct approved demonstration projects.

## **(2) Funding**

The bill would make available to the Secretary up to \$20 million for each of fiscal years 1995 through 1999 for carrying out the projects under this section. Payments to a grantee would have to be expended by the grantee in the fiscal year in which such payments are received or in the succeeding fiscal year.

The bill would reserve to the Secretary, with respect to each fiscal year, 10 percent of the funding for expenditure by the Secretary for training, technical assistance, and evaluation. The amount so reserved would remain available for obligation by the Secretary through fiscal year 1999.

If, for any fiscal year, the amount available exceeds the amount required to carry out the approved projects and the evaluation, training, and technical assistance, then the entitlement ceiling for the general title XX social services block grant program would be increased by the excess amount.

## **(3) Application; eligibility criteria**

A local public or private nonprofit organization, including a unit of government, or any combination of such entities, would be eligible to submit a project application. An application would have to:

- a. demonstrate that the geographic area to be served by the project satisfies the following criteria:
  - (i) it includes a population of 20,000 to 35,000 residents, (ii) it has an identifiable boundary and is recognizable as a community by its residents, and (iii) within the community, there is a poverty rate of not less than 20 percent;
- b. include a plan that (i) describes the comprehensive services that will be made available under the project; (ii) sets forth the goals to be accomplished under the project, and describes the methods to be used in measuring progress toward accomplishment of such goals and the outcomes to be measured; (iii) describes the involvement of the affected community (including parents, the youth to be served, and local institutions and organizations) in developing and implementing the project; (iv) identifies the private and public partnerships; (v) describes how services provided under the project will be coordinated with services provided under other

programs serving the same population; and (vi) describes how other funds will be used to further the purposes of the program;

- c. demonstrate strong State and local government commitment to the project and involvement in the planning and implementation of the project;
- d. contain assurances that the amounts provided will not be used to supplant Federal funds for services and activities that promote the same purposes;
- e. contain assurances that the applicant will provide a non-Federal share, in cash or in kind, of 10 percent of the cost of carrying out the approved project; and
- f. contain assurances that the applicant will furnish reports and participate in evaluations, as required by the Secretary.

#### **(4) *Priority***

The bill would require the Secretary to give priority to applicants that provide for non-Federal resources significantly in excess of 10 percent of the cost of carrying out the approved project.

#### **(5) *Use of grants***

A grantee would have to provide, directly or indirectly, a wide range of services in each of the following areas:

- a. health education and access services designed to promote physical and mental well-being and personal responsibility (with particular emphasis on pregnancy prevention);
- b. educational and employability development services designed to promote educational advancement leading to a high school diploma or its equivalent and opportunities for high skill, high wage job attainment and productive employment, to establish a lifelong commitment to learning and achievement, and to increase self-confidence;
- c. social support services designed to provide youths with a stable environment, opportunities for a sustained relationship with 1 or more adults, and

opportunities for participation in safe and productive activities;

- d. community activities designed to improve community stability and to encourage youths to participate in community service and establish a stake in the community; and
- e. employment opportunity development activities designed to be coordinated with educational and employability development services, social support services, and community activities described in paragraphs above.

**(6) Evaluation, training and technical assistance**

The Secretary would have to evaluate the effectiveness of each demonstration project, and provide training and technical assistance with respect to the development, implementation, or operation of projects.

The Secretary would have to coordinate evaluation, training, and technical assistance activities with activities conducted by the National Clearinghouse on Adolescent Pregnancy Prevention Programs (see item E. above, "Adolescent Pregnancy Prevention Grants").

**(7) Funding period**

Each demonstration project would be conducted for a 5-year period; except that the Secretary could terminate a project before the end of the period if the Secretary determines that the grantee conducting the project has failed substantially to carry out the project as described in the approved application.

**(8) Definitions and special rules**

The term 'youth' would mean an individual who is not less than 10 years of age and not more than 21 years of age.

The population and poverty rate would be determined by the most recent decennial census data available.

**VII. CHILD SUPPORT ENFORCEMENT**

## VIII. IMPROVING GOVERNMENT ASSISTANCE AND PREVENTING FRAUD

## (AFDC AMENDMENTS)

A. AFDC Benefits for Unemployed Parents  
(sections 701 and 702 of the bill)Present law

While optional prior to October 1, 1990, States that operate an AFDC program now are required to offer AFDC to children in two-parent families who are needy because of the unemployment of one of their parents (AFDC-Unemployed Parent (UP)). Eligibility for AFDC-UP is limited to those families in which the principal wage earner is unemployed but has a history of work. States that did not have an unemployed parent program as of September 26, 1988 may limit benefits under the AFDC-UP program to as few as 6 months in any 13 month period. The requirement that all States implement an AFDC-UP program does not apply to American Samoa, Puerto Rico, Guam, and the Virgin Islands until the date that Federal spending limits on payments to these jurisdictions are repealed (see item II.M.(1) for a description of the Federal limits). The requirement that States operate an AFDC-UP program sunsets as of September 30, 1998. [sec. 407 of the SSA]

Federal regulations specify that an AFDC parent must work fewer than 100 hours per month to be classified as unemployed, unless hours are of a temporary nature for intermittent work and the individual met the 100-hour rule in the two preceding months and is expected to meet it in the following month. Attachment to the labor force is another condition of eligibility for AFDC-UP. The principal earner must: (1) have 6 or more quarters of work in any 13-calendar-quarter period ending within 1 year before applying for AFDC-UP; or (2) have received or been eligible to receive unemployment compensation within 1 year before applying for AFDC-UP. A quarter of work is a quarter in which an individual earns at least \$50 or in which the individual participated in the JOBS program. At State option, full-time attendance in elementary or secondary school, vocational or technical training, or participation in JTPA, may be substituted for up to 4 of the 6 required quarters of work. Participation in the WIN program and CWEP prior to October 1990 also count toward the quarter of work requirement. [45 CFR 233.100 and 233.101]

In addition, Federal regulations specify that the parent who is the principal earner must have been unemployed for at least 30 days before the receipt of AFDC-UP benefits and can not have refused, without good cause, within the 30-day period, a bona fide offer of employment or training for employment. [45 CFR 233.100 and 233.101]

Explanation of provision

The bill would make permanent the requirement that States provide benefits to AFDC-UP families by repealing the sunset provision.

[This provision likely will be dropped from the bill, since it was addressed in the Social Security Act Amendments of 1994: The requirement for an AFDC-UP program in American Samoa, Guam, Puerto Rico, and the Virgin Islands would not take effect unless the territory involved notifies the Secretary that it chooses to implement an AFDC-UP program and submits the necessary State plan amendment.]

The bill would give States the option to eliminate the 30-day unemployment requirement and the work history test when determining an individual's eligibility for the AFDC-UP program.

The bill would give States the option to provide AFDC to families with employed parents and to define unemployment in its State plan so as to extend eligibility to some or all of the individuals excluded from the AFDC-UP program because of the Federal regulations (i.e., by the 100-hour rule). A State's choices would have to be reflected in its State plan.

The repeal of the sunset provision would take effect on enactment. The other provisions would take effect October 1, 1996.

**B. Definition of Essential Person**  
(section 703 of the bill)

**Present law**

Federal regulations permit States to include in the AFDC assistance unit needy persons in the AFDC household who are not eligible for AFDC in their own right, if the State plan permits their inclusion as persons "essential to the well-being of a recipient." The income and resources of these "essential persons," as well as their needs, are taken into account in determining need and the amount of AFDC benefits. The State plan must specify "essential persons" whose needs will be included in the individual's need, limited to those individuals who regularly provide at least one of the following benefits or services: (1) care which enables a caretaker relative to work on a full-time basis outside the home, (2) care for an incapacitated family member in the home, (3) child care that enables a caretaker relative to receive training on a full-time basis, (4) child care that enables a caretaker to attend high school or GED classes on a full-time basis, (5) child care for a period not to exceed 2 months that enables a caretaker relative to participate in job search or another AFDC work program. The State also must provide that the decision as to whether any individual will be recognized as essential to the recipient's

well-being shall rest with the recipient, and be supported and concurred in by supervisory staff of the AFDC agency. [45 CFR 233.20(a)(2)(vii)]

#### Explanation of provision

The bill would add a definition of essential person to the AFDC statute. In order to be considered "essential" and thereby have the needs of an individual included in the determination of the family's eligibility, the State would have to establish that such individual lives with the family and furnishes: (1) personal services required because a family member is physically or mentally unable to care for herself or himself or the dependent child; (2) child or dependent care services necessary to permit the caretaker relative to engage in part-time or full-time employment outside the home; or (3) child or dependent care services needed by the caretaker to attend education leading to a high school diploma, or training, or to participate in the JOBS program, on a part-time or full-time basis.

#### C. Expanded State Option for Retrospective Budgeting (section 704 of the bill)

##### Present law

Federal law permits States to choose whether or not to use retrospective budgeting for AFDC (i.e., determining AFDC benefits based on the family's income and circumstances in a prior month, rather than the current). However, States are allowed to use retrospective budgeting only in cases where the family is required to report monthly on income, resources, family composition, and other relevant information. States may require families to report monthly but choose not to apply retrospective budgeting procedures to those families. [sec. 402(a)(13) and 402(a)(14) of the SSA]

#### Explanation of provision

The bill would expand the retrospective budgeting options available to States by allowing them to budget on a retrospective basis cases that are not required to report monthly.

#### D. Income Disregards (section 705 of bill)

##### (1) Student earnings

##### Present law

Federal law requires States to disregard all earnings of an AFDC recipient child who is a full-time student (at a school,

college, university, or in a vocational or technical training course). In determining whether the family meets the gross income eligibility test (185 percent of the State's need standard), States may disregard all or any part of the earnings of a dependent child who is applying for AFDC benefits if the child is a full-time student, but only for up to 6 months. [sec. 402(a)(8)(A)(i), 402(a)(8)(A)(vii), and 402(a)(18) of the SSA]

#### Explanation of provision

The bill restricts the child/student's earnings disregard to an individual under age 19 who is an elementary or secondary school student.

#### *(2) Earned income disregards*

##### Present law

Federal law requires States to disregard certain amounts of an AFDC family's earnings in determining its AFDC benefit, as follows:

*For the first 4 consecutive months of AFDC eligibility in which the recipient has a job:*

- first \$90 of monthly earned income,
- \$30 a month of earned income,
- one-third of remaining earnings, and
- actual dependent care costs of up to \$175 per month per dependent (up to \$200 per month for a child under age 2), less for part-time work.

*For months 5 through 12:*

- first \$90 of monthly earned income,
- \$30 a month of earned income, and
- actual dependent care costs (as above).

*After 12 months:*

- first \$90 of monthly earned income, and
- actual dependent care costs (as above).

[sec. 402(a)(8) of the SSA]

#### Explanation of provision

Effective October 1, 1996, the bill would adopt one standard earnings disregard equal to \$120 monthly, adjusted by the Consumer Price Index, to replace the earned income disregards of current law. The disregard would be available without any durational limit.

In addition to the \$120 standard disregard, the bill would permit States to disregard additional amounts of earned income. States would have to specify in their State plans any such

additional amounts and the circumstances under which they will be disregarded (including whether they will be disregarded for applicants as well as recipients).

The dependent care disregard of current law would be retained.

### **(3) JTPA income**

#### **Present law**

Federal law allows States to disregard all or any amount of the income of an applicant or recipient child derived from a JTPA program, for up to 6 months.  
[sec. 402(a)(8)(A)(v) of the SSA]

#### **Explanation of provision**

The bill would modify the provision as follows: States would be required to disregard from the income of any individual applying for or receiving AFDC any amount received as a stipend or allowance under the JTPA or any other training or similar program.

### **(4) Child support pass through of \$50 monthly**

#### **Present law**

Federal law requires States to disregard the first \$50 in child support collections for that month received in the month, and the first \$50 for each prior month if the payments were made by the noncustodial parent when due.  
[sec. 402(a)(8)(vi) of the SSA]

#### **Explanation of provision**

The \$50 disregard amount would have to be adjusted annually by the Consumer Price Index. States would have to disregard the resulting amount (rounded to the nearest multiple of \$10), or such greater amount as the State chooses and provides for in its State plan.

### **(5) Lump sum payments**

#### **Present law**

Federal law requires that lump sum payments be treated as income in the month received with any excess above the AFDC need standard carried forward to the first month following the period of ineligibility. Lump sum payments in excess of the State's need standard for a given family size renders a family ineligible for AFDC benefits for a period of time equal to the lump sum payment divided by the State's monthly need standard.  
[sec. 402(a)(17) of the SSA]

**Explanation of provision**

The bill would repeal the existing provision on the treatment of lump sum payments, and require States to disregard from the income of any family member any amounts of income received in the form of non-recurring lump sum payments.

**(6) Education assistance****Present law**

There are two separate Federal regulations pertaining to education assistance. The first regulation states that "loans and grants, such as scholarships, obtained and used under conditions that preclude their use for current living costs" are to be disregarded in determining the family's AFDC eligibility and/or benefit amount. [45 CFR 233.20(a)(3)(iv)(B)] The second regulation basically repeats Section 507 of the Higher Education Act of 1968 (P.L. 90-575) and states that "any grant or loan to any undergraduate student for educational purposes made or insured under any program administered by the Commissioner of Education" is to be disregarded in determining the family's AFDC eligibility and/or benefit amount.  
[45 CFR 233.20(a)(4)(ii)(d)]

**Explanation of provision**

The bill would require States to disregard all education assistance in determining a family's AFDC eligibility and/or benefit amount.

**(7) In-kind assistance****Present law**

Federal law requires that all income received by the recipient or applicant be counted against the AFDC benefit except that explicitly excluded by definition or deduction. [sec. 402(a)(7) of the SSA] Federal regulations specify certain in-kind income (e.g., food from the surplus commodities or child nutrition programs) that is to be disregarded in determining a family's AFDC eligibility and/or benefit amount.

**Explanation of provision**

The bill would require States to disregard all in-kind assistance in determining a family's AFDC eligibility and/or benefit amount.

**(8) National and Community Service Act income****Present law**

Federal law requires that all income received by the recipient or applicant be counted against the AFDC benefit except that explicitly excluded by definition or deduction. [sec. 402(a) (7) of the SSA]

#### Explanation of provision

The bill would require States to disregard any living allowance, child care allowance, stipend, or educational award paid under the National and Community Service Act of 1990 to an AFDC family member participating in a national service program.

#### **(9) "Fill-the-gap" disregards**

##### Present law

Several States use a method of paying AFDC that allows working families to retain a greater portion of their AFDC grant as earnings increase. This method of payment, commonly referred to as "fill-the-gap," provides greater financial incentives for families to work than the standard payment method. Under the standard payment method, the AFDC grant is determined by subtracting countable income (e.g., earnings less disregards) from the State's payment standard. (a States' AFDC payment standard may be less than the State's AFDC "need standard" -- the amount a State recognizes as essential for a family to meet basic and special needs.) Some States having AFDC payment standards below their need standard allow families to fill part or all of the gap between the payment and need standard with income (both unearned and earned), before reducing the AFDC grant. Other States set a maximum payment below the payment standard, allowing families to only "fill-the-gap" up to the payment standard. Many States having AFDC payment standards below their need standard do not use a fill-the-gap policy--they begin to reduce the AFDC grant dollar for dollar, for earnings in excess of the standard earnings disregards. In January 1994, ten States were using some form of "fill-the-gap": Mississippi, Tennessee, Kentucky, North Carolina, Georgia, Utah, South Dakota, Colorado, Wyoming, and Maine. Working mothers in these States have higher net income at equivalent earnings than mothers living in States with similar AFDC payment levels that do not use a "fill-the-gap" payment method.

#### Explanation of provision

The bill would permit States to disregard, in addition to other amounts required or permitted to be disregarded, income described in the State plan by type or source and by amount, but no amount of income in excess of the difference between the State's need standard and payment standard for a family of the same size with no income. This provision would take effect October 1, 1996.

[Note that this provision, as drafted, may not accomplish the intent of the Administration, which is to provide States adopting a fill-the-gap policy the flexibility to determine what types of income are considered in applying the policy. Thus, under the Administration's intent, States could decide to exclude unearned income, or certain types of unearned income, from consideration under the policy.]

**E. Stepparent Income**  
(section 706 of the bill)

**Present law**

A portion of the income of the stepparent of an AFDC applicant or recipient, even in States that do not hold all stepparents to be financially responsible for stepchildren, must be deemed available to the stepchild, after excluding the first \$90 of the stepparent's earned income for the month. [sec. 402(a) (31) of the SSA]

**Explanation of provision**

Effective October 1, 1996, the bill would increase the stepparent disregard to \$120 monthly and give States the flexibility to increase it further, as the State deems appropriate.

**F. AFDC Resource Limit**  
(sections 707 and 708 of the bill)

**Present law**

Federal law directs the State welfare agency to determine ineligible for AFDC a family whose counted resources exceed \$1,000, or a lower amount set by the State. The following resources are exempt from the resource limit: a home in which the family lives, an automobile (as long as the individual's ownership interest (i.e., equity value) does not exceed the amount specified in regulations, which is currently \$1,500, or such lower amount as the State may determine), burial plots of each family member, funeral agreements (specified in regulations as not to exceed a total of \$1,500 in equity value, or such lower amount as the State may determine), real property for a limited period of time (specified in regulations as 6 consecutive months, or at State option, 9 consecutive months) which the family is making a good faith effort to dispose of, and for the month of receipt and the following month, any refund or advance payment of the Federal earned income tax credit (EITC). [sec. 402(a) (7) (B) of the SSA] [45 CFR 233.20(a) (3) (i)]

Federal law does not distinguish between self-employed persons and other persons. Income from self-employed persons must be taken into account in determining eligibility and the amount of the AFDC benefit. Federal regulations define "earned income" from self-employment as the total profit from a business enterprise, farming, etc. Under the regulations, total profit is calculated by comparing gross receipts with business expenses directly related to producing goods or services and without which the goods or services could not be produced. However, items such as depreciation, personal business and entertainment expenses, personal transportation, purchase of capital equipment and payments on the principal of loans for capital assets or durable goods are not considered business expenses. Federal regulations do allow States to exclude certain items essential to employment, livelihood, or income from the resource limit. [45 CFR 233.20(a)(6)(v)(b)]

#### Explanation of provision

The bill would retain current law, except as follows:

The bill would increase the general AFDC resource limit to \$2,000 or, in the case of a family with a member who is at least age 60, \$3,000.

The bill would direct the State AFDC agency to exempt from the resource limit the cash value of life insurance policies owned by family members.

The bill would direct the State AFDC agency to exempt from the resource limit real property which the family is making a good faith effort to sell at a reasonable price, without regard to a time limit.

The bill would direct the State AFDC agency to exempt from the resource limit any EITC payments and any lump sum payment of a State EITC for the 12-month period beginning with the month the payment is received.

The bill would direct the State AFDC agency to exempt from the resource limit for a 12-month period following receipt, reimbursements or advance payments for medical expenses or for the cost of repairing or replacing a family's resources.

The bill would direct the State AFDC agency to exempt from the resource limit up to \$10,000 (including interest) in one or more Individual Development Accounts (IDAs) established under the Internal Revenue Code by an AFDC or food stamp recipient or in a demonstration project by a person eligible for the EITC under the Individual Development Account Act (see item S. and T. below for a description of the Act). The bill would allow States to disregard amounts credited to an account in a month where the family received AFDC or food stamps, or in any following month.

The bill would direct the State AFDC agency to exempt from the resource limit liquid and nonliquid assets used for the self-employment of a family member, to the extent and under the circumstances allowed by a State agency in accordance with regulations to be issued by the Secretary of HHS following consultation with the Secretary of Agriculture.

**G. Transfer of Resources**  
(section 710 of the bill)

**Present law**

No provision. However, Federal regulations stipulate that if real property is intentionally sold at less than fair market value so that a good faith effort to sell it was not made, or if it is otherwise determined that a good faith effort to sell the property is not being made, the overpayment amount shall be computed using the fair market value determined at the beginning of the period.

**Explanation of provision**

The bill would bar from AFDC for one year a family member who knowingly transfers resources for the purpose of qualifying for AFDC.

**H. Limitation on Underpayments**  
(section 711 of the bill)

**Present law**

Federal law requires the State agency to promptly take all necessary steps to correct any overpayment or underpayment of AFDC benefits. The corrective payment, in the case of an underpayment, to a current recipient or former recipient who would be a current recipient if the underpayment had not occurred, is to be disregarded in determining the income of the family, and also disregarded in determining the family's resources but only in the month the corrective payment is made and in the following month. [sec. 402(a)(22)(C) of the SSA]

**Explanation of provision**

The bill would require the State agency to make corrective payments to underpaid current and former AFDC recipients, but it would limit the corrective payment to the amount needed to correct for underpayments during the 12 months just before the month in which the agency discovered the underpayment.

**I. Collection of Overpayments**  
(section 712 of the bill)

**(1) Amendments to the AFDC statute relating to AFDC overpayments**

**Present law**

Federal law requires States to correct overpayments and underpayments. Recovery of overpayments is made from current AFDC payments, available income and resources, and, for an individual who no longer receives AFDC, through the legal process. In any month when overpayments are being recovered, the AFDC payment, together with the recipient's liquid resources and all income (without the application of the earned income disregards), must equal at least 90 percent of the payment a family without other income would receive. [sec. 402(a)(22)(A)-(C) of the SSA]

**Explanation of provision**

The bill would permit States to intercept Federal income tax returns in order to recover overpayments of AFDC benefits to former AFDC recipients. State agencies would be required to notify the Secretary of the Treasury that a named individual has been overpaid AFDC benefits. The Secretary of the Treasury would determine whether Federal income tax refunds are available to the individual, withhold the appropriate amount from the refund, and pay such amount to the State. The Secretary of the Treasury would be directed to issue regulations governing these collections, with approval by the Secretary of HHS. The use of the Federal income tax intercept would be limited to former AFDC recipients against whom the State has already taken other appropriate recovery actions. The Secretary of the Treasury would be required to give timely and appropriate notice to any other person filing a joint return with the individual whose refund is subject to withholding. In addition, the procedures to be followed by the States and the Secretary of the Treasury would be required, to the maximum extent feasible, conform to the tax intercept currently used to collect past-due child support.

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The following provision is not in the jurisdiction of the Subcommittee on Human Resources:

**(2) Amendments to the Internal Revenue Code relating to AFDC overpayments**

**Present law**

**Explanation of provision**