

107<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 3625

To reauthorize and reform the program of block grants to States for temporary assistance for needy families, and for other purposes.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 2002

Mr. CARDIN (for himself, Mr. STARK, Mr. LEVIN, Mr. McDERMOTT, and Mr. DOGGETT) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To reauthorize and reform the program of block grants to States for temporary assistance for needy families, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Next Step in Reform-  
5 ing Welfare Act”.

6 **SEC. 2. TABLE OF CONTENTS.**

7 The table of contents of this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Amendment of Social Security Act.

## TITLE I—CONTINUATION OF CERTAIN GRANTS

- Sec. 101. Family assistance grants.
- Sec. 102. Bonus to reward high performance States.
- Sec. 103. Extension of supplemental grants.
- Sec. 104. Additional grants for States with low Federal funding per poor child.
- Sec. 105. Contingency fund.

## TITLE II—POVERTY REDUCTION

- Sec. 201. Additional purpose of TANF program.
- Sec. 202. Child poverty reduction grants.
- Sec. 203. Review and conciliation process.
- Sec. 204. Replacement of caseload reduction credit with employment credit.
- Sec. 205. Restoration of funding of the Social Services Block Grant.

## TITLE III—REQUIRING AND REWARDING WORK

- Sec. 301. Effect of wage subsidies on 5-year limit.
- Sec. 302. Child care.
- Sec. 303. Competitive grants to improve access to various benefit programs.
- Sec. 304. Assessments for TANF recipients.

TITLE IV—HELPING WELFARE LEAVERS CLIMB THE  
EMPLOYMENT LADDER

- Sec. 401. State plan requirement on employment advancement.
- Sec. 402. Employment Advancement Fund.
- Sec. 403. Elimination of limit on number of TANF recipients enrolled in vocational education or high school who may be counted towards the work participation requirement.
- Sec. 404. Counting of up to 2 years of vocational and educational training as work activity.
- Sec. 405. Limited counting of certain activities leading to employment as work activity.
- Sec. 406. Clarification of authority of States to use TANF funds carried over from prior years to provide TANF benefits and services.

TITLE V—PROMOTING FAMILY FORMATION AND RESPONSIBLE  
PARENTING

- Sec. 501. Family Formation Fund.
- Sec. 502. Distribution of child support collected by States on behalf of children receiving certain welfare benefits.
- Sec. 503. Elimination of separate work participation rate for 2-parent families.
- Sec. 504. Ban on imposition of stricter eligibility criteria for 2-parent families; State opt-out.

## TITLE VI—RESTORING FAIRNESS FOR IMMIGRANT FAMILIES

- Sec. 601. Treatment of aliens under the TANF program.
- Sec. 602. Treatment of aliens under the SSI program.
- Sec. 603. Effective date and applicability.

## TITLE VII—ENSURING STATE ACCOUNTABILITY

- Sec. 701. Inflation adjustment of maintenance-of-effort requirement.



1 (1) in subparagraph (B)—

2 (A) by striking “means the greatest of—”  
3 and inserting “means, with respect to a fiscal  
4 year specified in subparagraph (A) of this  
5 paragraph—

6 “(i) the greatest of—”;

7 (B) by redesignating each of clauses (i),  
8 (ii)(I), (ii)(II), and (iii) as subclauses (I),  
9 (II)(aa), (II)(bb), and (III), respectively;

10 (C) by indenting each of the provisions  
11 specified in subparagraph (B) of this paragraph  
12 2 additional ems to the right;

13 (D) by striking the period and inserting “;  
14 multiplied by”; and

15 (E) by adding at the end the following:

16 “(ii) 1.00, plus the inflation percent-  
17 age (as defined in subparagraph (F) of  
18 this paragraph) in effect for the fiscal year  
19 specified in subparagraph (A) of this para-  
20 graph.”; and

21 (2) by adding at the end the following:

22 “(F) INFLATION PERCENTAGE.—For pur-  
23 poses of subparagraph (B) of this paragraph,  
24 the inflation percentage applicable to a fiscal  
25 year is the percentage (if any) by which—

1           “(i) the average of the Consumer  
2           Price Index (as defined in section 1(f)(5)  
3           of the Internal Revenue Code of 1986) for  
4           the 12-month period ending on September  
5           30 of the immediately preceding fiscal  
6           year; exceeds

7           “(ii) the average of the Consumer  
8           Price Index (as so defined) for the 12-  
9           month period ending on September 30,  
10          2001.”.

11 **SEC. 102. BONUS TO REWARD HIGH PERFORMANCE**  
12 **STATES.**

13          Section 403(a)(4) (42 U.S.C. 603(a)(4)) is  
14 amended—

15           (1) in subparagraph (D), by striking  
16           “\$1,000,000,000” and inserting “\$1,800,000,000”;

17           (2) in subparagraph (E), by striking “and  
18           2003” and inserting “2003, 2004, 2005, 2006, and  
19           2007”; and

20           (3) in subparagraph (F), by striking “2003  
21           \$1,000,000,000” and inserting “2002  
22           \$800,000,000, and for fiscal years 2003 through  
23           2007 \$1,000,000,000”.

1 **SEC. 103. EXTENSION OF SUPPLEMENTAL GRANTS.**

2 Section 403(a)(3) (42 U.S.C. 603(a)(3)) is  
3 amended—

4 (1) in subparagraph (A)—

5 (A) by striking “and” at the end of clause  
6 (i);

7 (B) by striking the period at the end of  
8 clause (ii) and inserting “; and”; and

9 (C) by adding at the end the following:

10 “(iii) for each of fiscal years 2003  
11 through 2007, a grant in an amount equal  
12 to the amount required to be paid to the  
13 State under this paragraph in fiscal year  
14 2001.”;

15 (2) in subparagraph (E), by striking “1998”  
16 and all that follows and inserting “2003 through  
17 2007 \$1,597,250,000 for grants under this para-  
18 graph.”; and

19 (3) by striking subparagraph (G).

20 **SEC. 104. ADDITIONAL GRANTS FOR STATES WITH LOW**  
21 **FEDERAL FUNDING PER POOR CHILD.**

22 Section 403(a) (42 U.S.C. 603(a)) is amended by  
23 adding at the end the following:

24 “(6) ADDITIONAL GRANTS FOR STATES WITH LOW  
25 FEDERAL FUNDING PER POOR CHILD.—

1           “(A) IN GENERAL.—The Secretary shall  
2           make a grant pursuant to this paragraph to a  
3           State—

4                   “(i) for fiscal year 2003, if the State  
5                   is an inadequately poverty-funded State for  
6                   fiscal year 2002; and

7                   “(ii) for any of fiscal years 2004  
8                   through 2007, if the State is an inad-  
9                   equately poverty-funded State for any prior  
10                  fiscal year after fiscal year 2002.

11           “(B) INADEQUATELY POVERTY-FUNDED  
12           STATE.—For purposes of this paragraph, a  
13           State is an inadequately poverty-funded State  
14           for a particular fiscal year if—

15                   “(i) the total amount of the grants  
16                   made to the State under paragraph (1),  
17                   paragraph (3), and this paragraph for the  
18                   particular fiscal year, divided by the num-  
19                   ber of children in poverty in the State with  
20                   respect to the particular fiscal year is less  
21                   than 75 percent of the total amount of  
22                   grants made to all eligible States under  
23                   paragraph (1), paragraph (3), and this  
24                   paragraph for the particular fiscal year, di-  
25                   vided by the total number of children living

1 in poverty in all eligible States with respect  
2 to the particular fiscal year; and

3 “(ii) the total of the amounts paid to  
4 the State under this subsection for all  
5 prior fiscal years that have not been ex-  
6 pended by the State by the end of the pre-  
7 ceding fiscal year is less than 50 percent of  
8 State family assistance grant for the par-  
9 ticular fiscal year.

10 “(C) AMOUNT OF GRANT.—The amount of  
11 the grant to be made under this paragraph to  
12 a State for a particular fiscal year shall be—

13 “(i) if the particular fiscal year is fis-  
14 cal year 2003, an amount equal to—

15 “(I) the number of children in  
16 poverty in the State for the then pre-  
17 ceding fiscal year, divided by the total  
18 number of children in poverty in all  
19 States that are inadequately poverty-  
20 funded States for the then preceding  
21 fiscal year; multiplied by

22 “(II) the amount appropriated  
23 pursuant to subparagraph (G) for the  
24 particular fiscal year; or

1           “(ii) if the particular fiscal year is any  
2 of fiscal years 2004 through 2007, an  
3 amount equal to—

4           “(I) the amount required to be  
5 paid to the State under this para-  
6 graph for the then preceding fiscal  
7 year; plus

8           “(II) if the State is an inad-  
9 equately poverty-funded State for the  
10 then preceding fiscal year—

11           “(aa) the number of children  
12 in poverty in the State for the  
13 then preceding fiscal year, di-  
14 vided by the total number of chil-  
15 dren in poverty in all States that  
16 are inadequately poverty-funded  
17 States for the then preceding fis-  
18 cal year; multiplied by

19           “(bb) the amount appro-  
20 priated pursuant to subpara-  
21 graph (G) for the particular fis-  
22 cal year.

23           “(D) USE OF GRANT.—A State to which a  
24 grant is made under this paragraph shall use

1 the grant for any purpose for which a grant  
2 made under this part may be used.

3 “(E) DEFINITIONS.—In this paragraph:

4 “(i) CHILDREN IN POVERTY.—The  
5 term ‘children in poverty’ means, with re-  
6 spect to a State and a fiscal year, the  
7 number of children residing in the State  
8 who had not attained 18 years of age and  
9 whose family income was less than the pov-  
10 erty line then applicable to the family, as  
11 of the end of the fiscal year.

12 “(ii) POVERTY LINE.—The term ‘pov-  
13 erty line’ has the meaning given the term  
14 in section 673(2) of the Omnibus Budget  
15 Reconciliation Act of 1981, including any  
16 revision required by such section.

17 “(F) FAMILY INCOME DETERMINATIONS.—

18 For purposes of this paragraph, family income  
19 includes cash income, except cash benefits from  
20 means-tested public programs and child support  
21 payments.

22 “(G) APPROPRIATIONS.—

23 “(i) IN GENERAL.—Out of any money  
24 in the Treasury of the United States not

1 otherwise appropriated, there are appro-  
2 priated for grants under this paragraph—

3 “(I) \$65,000,000 for fiscal year  
4 2003;

5 “(II) \$130,000,000 for fiscal  
6 year 2004;

7 “(III) \$195,000,000 for fiscal  
8 year 2005;

9 “(IV) \$260,000,000 for fiscal  
10 year 2006; and

11 “(V) \$325,000,000 for fiscal year  
12 2007.

13 “(ii) AVAILABILITY.—Amounts made  
14 available under clause (i) shall remain  
15 available until expended.”.

16 **SEC. 105. CONTINGENCY FUND.**

17 (a) IN GENERAL.—Section 403(b) (42 U.S.C.  
18 603(b)) is amended—

19 (1) in paragraph (2), by striking “1997” and  
20 all that follows and inserting “2003 through 2007  
21 such sums as are necessary for payments under this  
22 subsection”; and

23 (2) in paragraph (3), by striking subparagraph  
24 (C) and inserting the following:

1           “(C) LIMITATION ON MONTHLY PAYMENT  
2           TO A STATE.—The total amount paid to a sin-  
3           gle State under subparagraph (A) during a fis-  
4           cal year shall not exceed 20 percent of the  
5           State family assistance grant.”.

6           (b) APPLICATION OF REGULAR MAINTENANCE OF  
7           EFFORT REQUIREMENT.—Section 409(a)(10) (42 U.S.C.  
8           609(a)(10)) is amended by striking “100 percent of his-  
9           toric State expenditures (as defined in paragraph  
10          (7)(B)(iii) of this subsection)” and inserting “the applica-  
11          ble percentage (as defined in paragraph (7)(B)(ii) of this  
12          subsection) of inflation-adjusted historic State expendi-  
13          tures (as defined in paragraph (7)(B)(vi) of this sub-  
14          section)”.

15          (c) MODIFICATION OF UNEMPLOYMENT TEST TO  
16          BECOME NEEDY STATE.—Section 403(b)(5)(A) (42  
17          U.S.C. 603(b)(5)(A)) is amended to read as follows:

18                   “(A) the average rate of total unemploy-  
19                   ment in the State (seasonally adjusted) for the  
20                   period consisting of the most recent 3 months  
21                   for which data are available has increased by  
22                   the lesser of 1.5 percentage points or by 50 per-  
23                   cent over the corresponding 3-month period in  
24                   the preceding fiscal year; or”.

1 (d) MODIFICATION OF FOOD STAMP TEST TO BE-  
2 COME NEEDY STATE.—Section 403(b)(5)(B) (42 U.S.C.  
3 603(b)(5)(B)) is amended to read as follows:

4 “(B) as determined by the Secretary of  
5 Agriculture, the monthly average number of  
6 households (as of the last day of each month)  
7 that participated in the food stamp program in  
8 the State in the then most recently concluded 3-  
9 month period for which data are available ex-  
10 ceeds by at least 10 percent the monthly aver-  
11 age number of households (as of the last day of  
12 each month) in the State that participated in  
13 the food stamp program in the corresponding 3-  
14 month period in the preceding fiscal year.”.

15 (e) SIMPLIFICATION OF RECONCILIATION FOR-  
16 MULA.—Section 403(b)(6) (42 U.S.C. 603(b)(6)) is  
17 amended to read as follows:

18 “(6) ANNUAL RECONCILIATION.—

19 “(A) IN GENERAL.—Notwithstanding para-  
20 graph (3), if the Secretary makes a payment to  
21 a State under this subsection in a fiscal year,  
22 then the State shall remit to the Secretary,  
23 within 1 year after the end of the first subse-  
24 quent period of 3 consecutive months for which

1 the State is not a needy State, an amount equal  
2 to the amount (if any) by which—

3 “(i) the maintenance of effort level (as  
4 defined in subparagraph (B)(i) of this  
5 paragraph) for the fiscal year, plus the  
6 State contribution (as defined in subpara-  
7 graph (B)(ii) of this paragraph) in the fis-  
8 cal year; exceeds

9 “(ii) the qualified State expenditures  
10 (as defined in section 409(a)(7)(B)(i)) in  
11 the fiscal year.

12 “(B) DEFINITIONS.—In subparagraph (A):

13 “(i) MAINTENANCE OF EFFORT  
14 LEVEL.—The term “maintenance of effort  
15 level” means, with respect to a State and  
16 a fiscal year, an amount equal to the appli-  
17 cable percentage of historic State expendi-  
18 tures (as defined in section 409(a)(7)(B))  
19 for the fiscal year.

20 “(ii) STATE CONTRIBUTION.—The  
21 term ‘State contribution’ means, with re-  
22 spect to a fiscal year—

23 “(I) the total amount paid to the  
24 State under this subsection in the fis-  
25 cal year; multiplied by

1                   “(II) 1 minus the greater of 75  
2                   percent or the Federal medical assist-  
3                   ance percentage for the State (as de-  
4                   fined in section 1905(b)), divided by  
5                   the greater of 75 percent or the Fed-  
6                   eral medical assistance percentage for  
7                   the State (as defined in section  
8                   1905(b)).”.

9           (f) INCREASE IN NUMBER OF MONTHS FOR WHICH  
10 STATE MAY QUALIFY FOR PAYMENTS.—Section  
11 403(b)(4) (42 U.S.C. 603(b)(4)) is amended by striking  
12 “2-month” and inserting “3-month”.

## 13 **TITLE II—POVERTY REDUCTION**

### 14 **SEC. 201. ADDITIONAL PURPOSE OF TANF PROGRAM.**

15           Section 401(a) (42 U.S.C. 601(a)) is amended—

16                   (1) by striking “and” at the end of paragraph  
17                   (3);

18                   (2) by striking the period at the end of para-  
19                   graph (4) and inserting “; and”; and

20                   (3) by adding at the end the following:

21                   “(5) reduce the extent and severity of poverty  
22                   and promote self-sufficiency among families with  
23                   children.”.

1 **SEC. 202. CHILD POVERTY REDUCTION GRANTS.**

2 Section 403(a) (42 U.S.C. 603(a)) is further amend-  
3 ed by adding at the end the following:

4 “(7) BONUS TO REWARD STATES THAT REDUCE  
5 CHILD POVERTY.—

6 “(A) IN GENERAL.—Beginning with fiscal  
7 year 2003, the Secretary shall make a grant  
8 pursuant to this paragraph to each State for  
9 each fiscal year for which the State is a quali-  
10 fied child poverty reduction State.

11 “(B) AMOUNT OF GRANT.—

12 “(i) IN GENERAL.—Subject to this  
13 subparagraph, the amount of the grant to  
14 be made to a qualified child poverty reduc-  
15 tion State for a fiscal year shall be an  
16 amount equal to—

17 “(I) the number of children who  
18 had not attained 18 years of age by  
19 the end of the then most recently  
20 completed calendar year and who re-  
21 sided in the State as of the end of  
22 such calendar year, divided by the  
23 number of such children who resided  
24 in the United States as of the end of  
25 such calendar year; multiplied by

1                   “(II) the amount appropriated  
2                   pursuant to subparagraph (F) for the  
3                   fiscal year.

4                   “(ii) LIMITATIONS.—

5                   “(I) MINIMUM GRANT.—The  
6                   amount of the grant to be made to a  
7                   qualified child poverty reduction State  
8                   for a fiscal year shall be not less than  
9                   \$1,000,000.

10                  “(II) MAXIMUM GRANT.—The  
11                  amount of the grant to be made to a  
12                  qualified child poverty reduction State  
13                  for a fiscal year shall not exceed an  
14                  amount equal to 5 percent of the  
15                  State family assistance grant for the  
16                  fiscal year.

17                  “(iii) PRO RATA INCREASE.—If the  
18                  amount available for grants under this  
19                  paragraph for a fiscal year is greater than  
20                  the total amount of payments otherwise re-  
21                  quired to be made under this paragraph  
22                  for the fiscal year, then the amount other-  
23                  wise payable to any State for the fiscal  
24                  year under this paragraph shall, subject to  
25                  clause (ii)(II), be increased by such equal

1 percentage as may be necessary to ensure  
2 that the total of the amounts payable for  
3 the fiscal year under this paragraph equals  
4 the amount available for the grants.

5 “(iv) PRO RATA REDUCTION.—If the  
6 amount available for grants under this  
7 paragraph for a fiscal year is less than the  
8 total amount of payments otherwise re-  
9 quired to be made under this paragraph  
10 for the fiscal year, then the amount other-  
11 wise payable to any State for the fiscal  
12 year under this paragraph shall, subject to  
13 clause (ii)(I), be reduced by such equal  
14 percentage as may be necessary to ensure  
15 that the total of the amounts payable for  
16 the fiscal year under this paragraph equals  
17 the amount available for the grants.

18 “(C) USE OF GRANT.—A State to which a  
19 grant is made under this paragraph shall use  
20 the grant for any purpose for which a grant  
21 made under this part may be used.

22 “(D) DEFINITIONS.—In this paragraph:

23 “(i) QUALIFIED CHILD POVERTY RE-  
24 DUCION STATE.—The term ‘qualified

1 child poverty reduction State’ means, with  
2 respect to a fiscal year, a State if—

3 “(I) the child poverty rate  
4 achieved by the State for the then  
5 most recently completed calendar year  
6 for which such information is avail-  
7 able is less than the lowest child pov-  
8 erty rate achieved by the State during  
9 the applicable period; and

10 “(II) the average depth of child  
11 poverty in the State for the then most  
12 recently completed calendar year for  
13 which such information is available is  
14 not greater than the average depth of  
15 child poverty in the State for the cal-  
16 endar year that precedes such then  
17 most recently completed calendar  
18 year.

19 “(ii) APPLICABLE PERIOD.—In clause  
20 (i), the term ‘applicable period’ means,  
21 with respect to a State and the calendar  
22 year referred to in clause (i)(I), the period  
23 that—

24 “(I) begins with the calendar  
25 year that, as of October 1, 2002, pre-

1 cedes the then most recently com-  
2 pleted calendar year for which such  
3 information is available; and

4 “(II) ends with the calendar year  
5 that precedes the calendar year re-  
6 ferred to clause (i)(I).

7 “(iii) CHILD POVERTY RATE.—The  
8 term ‘child poverty rate’ means, with re-  
9 spect to a State and a calendar year, the  
10 percentage of children residing in the State  
11 during the calendar year whose family in-  
12 come for the calendar year is less than the  
13 poverty line then applicable to the family.

14 “(iv) AVERAGE DEPTH OF CHILD POV-  
15 ERTY.—The term ‘average depth of child  
16 poverty’ means with respect to a State and  
17 a calendar year, the average dollar amount  
18 by which family income is exceeded by the  
19 poverty line, among children in the State  
20 whose family income for the calendar year  
21 is less than the applicable poverty line.

22 “(v) POVERTY LINE.—The term ‘pov-  
23 erty line’ has the meaning given the term  
24 in section 673(2) of the Omnibus Budget  
25 Reconciliation Act of 1981, including any

1 revision required by such section applicable  
2 to a family of the size involved.

3 “(E) FAMILY INCOME DETERMINATIONS.—  
4 For purposes of this paragraph, family income  
5 includes cash income, child support payments,  
6 government cash payments, and benefits under  
7 the Food Stamp Act of 1977 that are received  
8 by any family member, and family income shall  
9 be determined after payment of all taxes and  
10 receipt of any tax refund or rebate by any fam-  
11 ily member.

12 “(F) APPROPRIATIONS.—

13 “(i) IN GENERAL.—Out of any money  
14 in the Treasury of the United States not  
15 otherwise appropriated, there are appro-  
16 priated for each of fiscal years 2003  
17 through 2007 \$150,000,000 for grants  
18 under this paragraph.

19 “(ii) AVAILABILITY.—Amounts made  
20 available under clause (i) shall remain  
21 available until expended.”.

22 **SEC. 203. REVIEW AND CONCILIATION PROCESS.**

23 (a) REQUIREMENT.—Section 408(a) (42 U.S.C.  
24 608(a)) is amended by adding at the end the following:

1           “(12) REVIEW AND CONCILIATION PROCESS RE-  
2           QUIREMENTS.—A State to which a grant is made  
3           under section 403 shall not impose a sanction  
4           against a person under the State program funded  
5           under this part, unless the State—

6                   “(A) has attempted at least twice (using at  
7                   least 2 different methods) to notify the person  
8                   of the impending imposition of the sanction, the  
9                   reason for the proposed sanction, the amount of  
10                  the sanction, the length of time during which  
11                  the proposed sanction would be in effect, and  
12                  the steps required to come into compliance or to  
13                  show good cause for noncompliance;

14                  “(B) has afforded the person an  
15                  opportunity—

16                          “(i) to meet with the caseworker in-  
17                          volved or another individual who has au-  
18                          thority to determine whether to impose the  
19                          sanction; and

20                          “(ii) to explain why the person did not  
21                          comply with the requirement on the basis  
22                          of which the sanction is to be imposed;

23                  “(C) has considered and taken any such  
24                  explanation into account in determining to im-  
25                  pose the sanction;

1           “(D) has specifically considered whether  
2           certain conditions exist, such as a physical or  
3           mental impairment, domestic violence, or lim-  
4           ited proficiency in English, that contributed to  
5           the noncompliance of the person; and

6           “(E) in determining whether to impose the  
7           sanction, has used screening tools developed in  
8           consultation with individuals or groups with ex-  
9           pertise in matters described in subparagraph  
10          (D).”.

11          (b) PENALTY.—Section 409(a) (42 U.S.C. 609(a)) is  
12          amended by adding at the end the following:

13                 “(15) PENALTY FOR FAILURE OF STATE TO  
14                 USE REVIEW AND CONCILIATION PROCESS.—

15                 “(A) IN GENERAL.—If the Secretary deter-  
16                 mines that a State to which a grant is made  
17                 under section 403 for a fiscal year has violated  
18                 section 408(a)(12) during the fiscal year, the  
19                 Secretary shall reduce the grant payable to the  
20                 State under section 403(a)(1) for the imme-  
21                 diately succeeding fiscal year by an amount  
22                 equal to 5 percent of the State family assist-  
23                 ance grant.

24                 “(B) PENALTY BASED ON SEVERITY OF  
25                 FAILURE.—The Secretary shall impose reduc-

1           tions under subparagraph (A) with respect to a  
2           fiscal year based on the degree of noncompli-  
3           ance.”.

4 **SEC. 204. REPLACEMENT OF CASELOAD REDUCTION CRED-**  
5 **IT WITH EMPLOYMENT CREDIT.**

6           (a) EMPLOYMENT CREDIT TO REWARD STATES IN  
7 WHICH FAMILIES LEAVE WELFARE FOR WORK; ADDI-  
8 TIONAL CREDIT FOR FAMILIES WITH HIGHER EARN-  
9 INGS.—Section 407(a) (42 U.S.C. 607(a)) is amended by  
10 adding at the end the following:

11           “(3) EMPLOYMENT CREDIT.—

12                   “(A) IN GENERAL.—The minimum partici-  
13 pation rate otherwise applicable to a State  
14 under this subsection for a fiscal year shall be  
15 reduced by the number of percentage points in  
16 the employment credit for the State for the fis-  
17 cal year.

18                   “(B) CALCULATION OF CREDIT.—

19                           “(i) IN GENERAL.—The employment  
20 credit for a State for a fiscal year is an  
21 amount equal to—

22                                   “(I) twice the number of families  
23 that, during the estimating period,  
24 ceased to receive cash payments under  
25 the State program funded under this

1 part, and that, during the employment  
2 period, had earnings; divided by

3 “(II) the average monthly num-  
4 ber of families that include an adult  
5 who, during the estimating period, re-  
6 ceived cash payments under the State  
7 program funded under this part.

8 “(ii) DEFINITIONS.—In clause (i):

9 “(I) ESTIMATING PERIOD.—The  
10 term ‘estimating period’ means, with  
11 respect to a fiscal year, the 1st quar-  
12 ter of the preceding fiscal year.

13 “(II) EMPLOYMENT PERIOD.—  
14 The term ‘employment period’ means,  
15 with respect to a fiscal year, the 3rd  
16 quarter of the preceding fiscal year.

17 “(iii) SPECIAL RULE FOR FORMER RE-  
18 CIPIENTS WITH HIGHER EARNINGS.—In  
19 caculating the employment credit for a  
20 State for a fiscal year, a family that, dur-  
21 ing the employment period, earned more  
22 than 33 percent of the average wage in the  
23 State (determined on the basis of State  
24 unemployment data) shall be considered to  
25 be 1.5 families.

1           “(4) TRANSITION RULE.—Notwithstanding the  
2 preceding provisions of this subsection, if the min-  
3 imum participation rate applicable to a State under  
4 this section for the preceding fiscal year (determined  
5 as if paragraph (3) of subsection (b), as in effect im-  
6 mediately before the effective date of this paragraph,  
7 were still in effect) would be less than 50 percent,  
8 the minimum participation rate applicable to the  
9 State under this section for the fiscal year shall be  
10 the lesser of—

11                   “(A) 10 percentage points greater than the  
12 minimum participation rate applicable to the  
13 State under this section for the preceding fiscal  
14 year; or

15                   “(B) 50 percent.”.

16           (b) ELIMINATION OF CASELOAD REDUCTION CRED-  
17 IT.—Section 407(b) (42 U.S.C. 607(b)(3)) is amended by  
18 striking paragraph (3) and redesignating paragraphs (4)  
19 and (5) as paragraphs (3) and (4), respectively.

20 **SEC. 205. RESTORATION OF FUNDING OF THE SOCIAL**  
21 **SERVICES BLOCK GRANT.**

22           Section 2003(c) (42 U.S.C. 1379b(c)) is amended—  
23           (1) in paragraph (10), by striking “and”;

1           (2) in paragraph (11), by striking “2001 and  
2 each fiscal year thereafter.” and inserting “2001;  
3 and”; and

4           (3) by adding at the end the following:

5           “(12) \$2,800,000,000 for fiscal year 2003 and  
6 each succeeding fiscal year.”.

7           **TITLE III—REQUIRING AND**  
8           **REWARDING WORK**

9           **SEC. 301. EFFECT OF WAGE SUBSIDIES ON 5-YEAR LIMIT.**

10          Section 408(a)(7) (42 U.S.C. 608(a)(7)) is amended  
11 by adding at the end the following:

12                   “(H) LIMITATION ON MEANING OF ‘AS-  
13                   SISTANCE’ FOR FAMILIES WITH INCOME FROM  
14                   EMPLOYMENT.—For purposes of this para-  
15                   graph, a benefit or service provided to a family  
16                   during a month under the State program fund-  
17                   ed under this part shall not be considered as-  
18                   sistance under the program if, during the  
19                   month, the family includes an adult or a minor  
20                   child head of household who has received at  
21                   least such amount of income from employment  
22                   as the State may establish.”.

23           **SEC. 302. CHILD CARE.**

24           (a) INCREASE IN ENTITLEMENT FUNDING.—Section  
25 418(a)(3) (42 U.S.C. 618(a)(3)) is amended—

1           (1) by striking “and” at the end of subpara-  
2 graph (E);

3           (2) by striking the period at the end of sub-  
4 paragraph (F) and inserting a semicolon; and

5           (3) by adding at the end the following:

6                   “(G) \$3,967,000,000 for fiscal year 2003;

7                   “(H) \$4,467,000,000 for fiscal year 2004;

8                   “(I) \$4,967,000,000 for fiscal year 2005;

9                   “(J) \$5,467,000,000 for fiscal year 2006;

10           and

11                   “(K) \$5,967,000,000 for fiscal year  
12 2007.”.

13           (b) INCREASE IN SET ASIDE FOR CHILD CARE QUAL-  
14 ITY.—Section 658G of the Child Care and Development  
15 Block Grant Act of 1990 (42 U.S.C. 9858e) is amended  
16 by striking “4 percent” and inserting “12 percent”.

17           (c) APPLICABILITY OF STATE OR LOCAL HEALTH  
18 AND SAFETY STANDARDS TO OTHER TANF CHILD CARE  
19 SPENDING.—Section 402(a) (42 U.S.C. 602(a)) is amend-  
20 ed by adding at the end the following:

21                   “(8) CERTIFICATION OF PROCEDURES TO EN-  
22 SURE THAT CHILD CARE PROVIDERS COMPLY WITH  
23 APPLICABLE STATE OR LOCAL HEALTH AND SAFETY  
24 STANDARDS.—A certification by the chief executive  
25 officer of the State that procedures are in effect to

1 ensure that any child care provider in the State that  
2 provides services for which assistance is provided  
3 under the State program funded under this part  
4 complies with all applicable State or local health and  
5 safety requirements as described in section  
6 658E(c)(2)(F) of the Child Care and Development  
7 Block Grant Act of 1990.”.

8 (d) AVAILABILITY OF CHILD CARE FOR PARENTS  
9 REQUIRED TO WORK.—Section 407(e)(2) (42 U.S.C.  
10 607(e)(2)) is amended by striking “6” and inserting “13”.

11 **SEC. 303. COMPETITIVE GRANTS TO IMPROVE ACCESS TO**  
12 **VARIOUS BENEFIT PROGRAMS.**

13 (a) PURPOSES.—The purposes of this section are  
14 to—

15 (1) inform low-income families with children  
16 about programs available to families leaving welfare  
17 and other programs to support low-income families  
18 with children;

19 (2) provide incentives to States and counties to  
20 improve and coordinate application and renewal pro-  
21 cedures for low-income family with children support  
22 programs; and

23 (3) track the extent to which low-income fami-  
24 lies with children receive the benefits and services  
25 for which they are eligible.

1 (b) DEFINITIONS.—In this section:

2 (1) LOCALITY.—The term locality means a mu-  
3 nicipality that does not administer a temporary as-  
4 sistance for needy families program funded under  
5 part A of title IV of the Social Security Act (42  
6 U.S.C. 601 et seq.) (in this section referred to as  
7 “TANF”).

8 (2) LOW-INCOME FAMILY WITH CHILDREN SUP-  
9 PORT PROGRAM.—The term “low-income family with  
10 children support program” means a program de-  
11 signed to provide low-income families with assistance  
12 or benefits to enable the family to become self-suffi-  
13 cient and includes—

14 (A) TANF;

15 (B) the food stamp program established  
16 under the Food Stamp Act of 1977 (7 U.S.C.  
17 2011 et seq.) (in this section referred to as  
18 “food stamps”);

19 (C) the medicaid program funded under  
20 title XIX of the Social Security Act (42 U.S.C.  
21 1396 et seq.);

22 (D) the State children’s health insurance  
23 program (SCHIP) funded under title XXI of  
24 the Social Security Act (42 U.S.C. 1397aa et  
25 seq.);

1 (E) the child care program funded under  
2 the Child Care Development Block Grant Act of  
3 1990 (42 U.S.C. 9858 et seq.);

4 (F) the child support program funded  
5 under part D of title IV of the Social Security  
6 Act (42 U.S.C. 651 et seq.);

7 (G) the earned income tax credit under  
8 section 32 of the Internal Revenue Code of  
9 1986;

10 (H) the low-income home energy assistance  
11 program (LIHEAP) established under the Low-  
12 Income Home Energy Assistance Act of 1981  
13 (42 U.S.C. 8621 et seq.);

14 (I) the special supplemental nutrition pro-  
15 gram for women, infants, and children (WIC)  
16 established under section 17 of the Child Nutri-  
17 tion Act of 1966 (42 U.S.C. 1786);

18 (J) programs under the Workforce Invest-  
19 ment Act of 1998 (29 U.S.C. 2801 et seq.); and

20 (K) any other Federal or State funded pro-  
21 gram designed to provide family and work sup-  
22 port to low-income families with children.

23 (3) NONPROFIT.—The term “nonprofit”, as ap-  
24 plied to a school, agency, organization, or institution  
25 means a school, agency, organization, or institution

1 owned and operated by 1 or more nonprofit corpora-  
2 tions or associations, no part of the net earnings of  
3 which inures, or may lawfully inure, to the benefit  
4 of any private shareholder or individual.

5 (4) SECRETARY.—The term “Secretary” means  
6 the Secretary of Health and Human Services.

7 (5) STATE.—The term “State” means each of  
8 the several States of the United States, the District  
9 of Columbia, the Commonwealth of Puerto Rico,  
10 American Samoa, Guam, and the United States Vir-  
11 gin Islands.

12 (c) AUTHORIZATION OF GRANTS.—

13 (1) STATES AND COUNTIES.—

14 (A) IN GENERAL.—The Secretary is au-  
15 thorized to award grants to States and counties  
16 to pay the Federal share of the costs involved  
17 in improving the administration of low-income  
18 family with children support programs, includ-  
19 ing simplifying application, recertification, re-  
20 porting, and verification rules, and promoting  
21 participation in such programs.

22 (B) FEDERAL SHARE.—The Federal share  
23 shall be 80 percent.

24 (2) NONPROFITS AND LOCALITIES.—The Sec-  
25 retary is authorized to award grants to nonprofits

1 and localities to promote participation in low-income  
2 family with children support programs, and dis-  
3 tribute information about and develop service centers  
4 for low-income family with children support pro-  
5 grams.

6 (d) GRANT APPROVAL CRITERIA.—

7 (1) IN GENERAL.—The Secretary, in consulta-  
8 tion with the Secretary of Agriculture, shall establish  
9 criteria for approval of an application for a grant  
10 under this section that include consideration of—

11 (A) the extent to which the proposal, if  
12 funded, is likely to result in improved service  
13 and higher participation rates in low-income  
14 children’s support programs;

15 (B) an applicant’s ability to reach hard-to-  
16 serve populations;

17 (C) the level of innovation in the appli-  
18 cant’s grant proposal; and

19 (D) any partnerships between the public  
20 and private sector in the applicant’s grant pro-  
21 posal.

22 (2) SEPARATE CRITERIA.—Separate criteria  
23 shall be established for the grants authorized under  
24 paragraphs (1) and (2) of subsection (c).

25 (e) USES OF FUNDS.—

1 (1) STATES AND COUNTIES.—

2 (A) IMPROVEMENTS IN PROGRAMS.—

3 Grants awarded to States and counties under  
4 subsection (c)(1) shall be used to—

5 (i) simplify low-income family with  
6 children support program application, re-  
7 certification, reporting, and verification  
8 rules;

9 (ii) create uniformity in eligibility cri-  
10 teria for low-income family with children  
11 support programs;

12 (iii) develop options for families to  
13 apply for low-income family with children  
14 support programs through the telephone,  
15 mail, facsimile, Internet, or electronic mail,  
16 and submit any recertifications or reports  
17 required for such families through these  
18 options;

19 (iv) co-locate eligibility workers for  
20 various low-income family with children  
21 support programs at strategically located  
22 sites;

23 (v) develop or enhance one-stop serv-  
24 ice centers for low-income family with chil-  
25 dren support programs, including estab-

1 lishing evening and weekend hours at these  
2 centers; and

3 (vi) improve training of staff in low-  
4 income families with children support pro-  
5 grams to enhance their ability to enroll eli-  
6 gible applicants in low-income family with  
7 children support programs, provide case  
8 management, and refer eligible applicants  
9 to other appropriate programs.

10 (B) CUSTOMER SURVEYS.—

11 (i) IN GENERAL.—A grant awarded to  
12 a State or county under subsection (c)(1)  
13 shall be used to carry out a customer sur-  
14 vey.

15 (ii) MODEL SURVEYS.—The customer  
16 survey under clause (i) of this subpara-  
17 graph shall be modeled after a form devel-  
18 oped by the Secretary under subsection  
19 (g).

20 (iii) REPORTS TO SECRETARY.—Not  
21 later than 1 year after a State or county  
22 is awarded a grant under subsection (c)(1),  
23 and annually thereafter, the State or coun-  
24 ty shall submit a report to the Secretary  
25 detailing the results of the customer survey

1 carried out under clause (i) of this sub-  
2 paragraph.

3 (iv) REPORTS TO PUBLIC.—A State or  
4 county receiving a grant under subsection  
5 (c)(1) and the Secretary shall make the re-  
6 port required under clause (iii) of this sub-  
7 paragraph available to the public.

8 (v) PUBLIC COMMENT.—A State or  
9 county receiving a grant under subsection  
10 (c)(1) shall accept public comments and  
11 hold public hearings on the report made  
12 available under clause (iv) of this subpara-  
13 graph.

14 (C) TRACKING SYSTEMS.—

15 (i) IN GENERAL.—A grant awarded to  
16 a State or county under subsection (c)(1)  
17 shall be used to implement a tracking sys-  
18 tem to determine the level of participation  
19 in low-income family with children support  
20 programs of the eligible population.

21 (ii) REPORTS.—Not later than 1 year  
22 after a State or county is awarded a grant  
23 under subsection (c)(1), and annually  
24 thereafter, the State or county shall submit  
25 a report to the Secretary detailing the ef-

1           fectiveness of the tracking system imple-  
2           mented under clause (i) of this subpara-  
3           graph.

4           (D) IN-PERSON INTERVIEWS.—A State or  
5           county awarded a grant under subsection (c)(1)  
6           may expend funds made available under the  
7           grant to provide for reporting and recertifi-  
8           cation procedures through the telephone, mail,  
9           facsimile, Internet, or electronic mail.

10          (E) JURISDICTION-WIDE IMPLEMENTA-  
11          TION.—

12           (i) IN GENERAL.—A grant awarded to  
13           a State or county under subsection (c)(1)  
14           shall be used for activities throughout the  
15           jurisdiction.

16           (ii) EXCEPTION.—A State or county  
17           awarded a grant under subsection (c)(1)  
18           may use grant funds to develop one-stop  
19           service centers and telephone, mail, fac-  
20           simile, Internet, or electronic mail applica-  
21           tion and renewal procedures for low-income  
22           family with children support programs  
23           without regard to the requirements of  
24           clause (i) of this subparagraph.

1 (F) SUPPLEMENT NOT SUPPLANT.—Funds  
2 provided to a State or county under a grant  
3 awarded under subsection (c)(1) shall be used  
4 to supplement and not supplant other State or  
5 county public funds expended to provide sup-  
6 port services for low-income families.

7 (2) NONPROFITS AND LOCALITIES.—A grant  
8 awarded to a nonprofit or locality under subsection  
9 (c)(2) shall be used to—

10 (A) develop one-stop service centers for  
11 low-income family with children support pro-  
12 grams in cooperation with States and counties;  
13 or

14 (B) provide information about and refer-  
15 rals to low-income family with children support  
16 programs through the dissemination of mate-  
17 rials at strategic locations, including schools,  
18 clinics, and shopping locations.

19 (f) APPLICATION.—

20 (1) IN GENERAL.—Each applicant desiring a  
21 grant under paragraph (1) or (2) of subsection (c)  
22 shall submit an application to the Secretary at such  
23 time, in such manner, and accompanied by such in-  
24 formation as the Secretary may reasonably require.

25 (2) STATES AND COUNTIES.—

1           (A) NON-FEDERAL SHARE.—Each State or  
2 county applicant shall provide assurances that  
3 the applicant will pay the non-Federal share of  
4 the activities for which a grant is sought.

5           (B) PARTNERSHIPS.—Each State or coun-  
6 ty applicant shall submit a memorandum of un-  
7 derstanding demonstrating that the applicant  
8 has entered into a partnership to coordinate its  
9 efforts under the grant with the efforts of other  
10 State and county agencies that have responsi-  
11 bility for providing low-income families with as-  
12 sistance or benefits.

13 (g) DUTIES OF THE SECRETARY.—

14           (1) SURVEY FORM.—The Secretary, in coopera-  
15 tion with other relevant agencies, shall develop a  
16 customer survey form to determine whether low-in-  
17 come families—

18           (A) encounter any impediments in applying  
19 for or renewing their participation in low-in-  
20 come family with children support programs;  
21 and

22           (B) are unaware of low-income family with  
23 children support programs for which they are  
24 eligible.

25           (2) REPORTS.—

1           (A) ANNUAL REPORTS.—Not later than 1  
2           year after the date of enactment of this Act,  
3           and annually thereafter, the Secretary shall  
4           submit a report to Congress describing the uses  
5           of grant funds awarded under this section.

6           (B) RESULTS OF TRACKING SYSTEMS AND  
7           SURVEYS.—The Secretary shall submit a report  
8           to Congress detailing the results of the tracking  
9           systems implemented and customer surveys car-  
10          ried out by States and counties under sub-  
11          section (e) as the information becomes avail-  
12          able.

13         (h) MISCELLANEOUS.—

14           (1) MATCHING FUNDS.—Matching funds re-  
15          quired from a State or county awarded a grant  
16          under subsection (c)(1) of this section may—

17           (A) include in-kind services and expendi-  
18          tures by municipalities and private entities; and

19           (B) be considered a qualified State expend-  
20          iture for purposes of determining whether the  
21          State has satisfied the maintenance of effort re-  
22          quirements of the temporary assistance for  
23          needy families program under section 409(a)(7)  
24          of the Social Security Act (42 U.S.C.  
25          609(a)(7)).

1           (2) LIMITATION ON EXPENDITURES.—Subject  
2 to paragraph (3) of this subsection, not more than  
3 20 percent of a grant awarded under subsection (c)  
4 shall be expended on customer surveys or tracking  
5 systems.

6           (3) REVERSION OF FUNDS.—Any funds not ex-  
7 pended by a grantee within 2 years after awarded a  
8 grant shall be available for redistribution among  
9 other grantees in such manner and amount as the  
10 Secretary may determine, unless the Secretary ex-  
11 tends by regulation the 2-year time period to expend  
12 funds.

13           (4) NONAPPORTIONMENT.—Notwithstanding  
14 any other provision of law, a State, county, locality,  
15 or nonprofit awarded a grant under subsection (c) is  
16 not required to apportion the costs of providing in-  
17 formation about low-income family with children  
18 support programs among all low-income family with  
19 children support programs.

20           (5) ADMINISTRATIVE COSTS OF THE SEC-  
21 RETARY.—Not more than 5 percent of the funds ap-  
22 propriated to carry out this section shall be ex-  
23 pended on administrative costs of the Secretary.

24           (i) AUTHORIZATION OF APPROPRIATIONS.—There is  
25 authorized to be appropriated to carry out this section

1 \$500,000,000 for the period of fiscal years 2003 through  
2 2007.

3 **SEC. 304. ASSESSMENTS FOR TANF RECIPIENTS.**

4 Section 408(b) (42 U.S.C. 608(b)) is amended—

5 (1) by striking paragraph (1) and inserting the  
6 following:

7 “(1) ASSESSMENT.—The State agency respon-  
8 sible for administering the State program funded  
9 under this part shall, for each recipient of assistance  
10 under the program who is a head of household,  
11 make an initial assessment of the skills, prior work  
12 experience, and circumstances related to the employ-  
13 ability of the recipient, including physical or mental  
14 impairments, proficiency in English, child care  
15 needs, and whether the recipient is a victim of do-  
16 mestic violence.”; and

17 (2) by striking paragraph (4).

18 **TITLE IV—HELPING WELFARE**  
19 **LEAVERS CLIMB THE EM-**  
20 **PLOYMENT LADDER**

21 **SEC. 401. STATE PLAN REQUIREMENT ON EMPLOYMENT**  
22 **ADVANCEMENT.**

23 (a) IN GENERAL.—Section 402(a)(1)(A) (42 U.S.C.  
24 602(a)(1)(A)) is amended by adding at the end the fol-  
25 lowing:

1                   “(vii) Establish goals and take action  
2                   to improve initial earnings, job advance-  
3                   ment, and employment retention for indi-  
4                   viduals in and individuals leaving the pro-  
5                   gram.”.

6           (b) INCLUSION IN ANNUAL REPORTS OF PROGRESS  
7 IN ACHIEVING EMPLOYMENT ADVANCEMENT GOALS.—

8 Section 411(b) (42 U.S.C. 611(b)) is amended—

9           (1) by striking “and” at the end of paragraph  
10           (3);

11           (2) by striking the period at the end of para-  
12           graph (4) and inserting “; and” ; and

13           (3) by adding at the end the following:

14           “(5) in each report submitted after fiscal year  
15           2003, the progress made by the State in achieving  
16           the goals referred to in section 402(a)(1)(A)(vii) in  
17           the most recent State plan submitted pursuant to  
18           section 402(a).”.

19 **SEC. 402. EMPLOYMENT ADVANCEMENT FUND.**

20           Section 403(a) (42 U.S.C. 603(a)) is further amend-  
21 ed by adding at the end the following:

22           “(8) EMPLOYMENT ADVANCEMENT FUND.—

23           “(A) IN GENERAL.—The Secretary shall  
24           provide grants to States and localities for re-

1 search, evaluation, technical assistance, and  
2 demonstration projects that focus on—

3 “(i) improving wages for low-income  
4 workers, regardless of whether such work-  
5 ers are recipients of assistance under a  
6 State program funded under this part,  
7 through training and other services; and

8 “(ii) enhancing employment prospects  
9 for recipients of such assistance with bar-  
10 riers to employment, such as a physical or  
11 mental impairment, a substance abuse  
12 problem, or limited proficiency in English.

13 “(B) ADMINISTRATION.—

14 “(i) ALLOCATION OF FUNDS.—The  
15 Secretary shall allocate at least 40 percent  
16 of the funds made available pursuant to  
17 this paragraph for projects that focus on  
18 the matters described in subparagraph  
19 (A)(i), and at least 40 percent of the funds  
20 for projects that focus on the matters de-  
21 scribed in subparagraph (A)(ii).

22 “(ii) DIVERSITY OF PROJECTS.—The  
23 Secretary shall attempt to provide funds  
24 under this paragraph for diverse projects  
25 from geographically different areas.

1           “(C) AID UNDER THIS PARAGRAPH NOT  
2           ‘ASSISTANCE’.—A benefit or service provided  
3           with funds made available under this paragraph  
4           shall not, for any purpose, be considered assist-  
5           ance under a State program funded under this  
6           part.

7           “(D) APPROPRIATION.—Out of any money  
8           in the Treasury of the United States not other-  
9           wise appropriated, there are appropriated for  
10          each of fiscal years 2003 through 2007  
11          \$150,000,000 for grants under this para-  
12          graph.”.

13 **SEC. 403. ELIMINATION OF LIMIT ON NUMBER OF TANF RE-**  
14                   **CIPIENTS ENROLLED IN VOCATIONAL EDU-**  
15                   **CATION OR HIGH SCHOOL WHO MAY BE**  
16                   **COUNTED TOWARDS THE WORK PARTICIPA-**  
17                   **TION REQUIREMENT.**

18          Section 407(c)(2) (42 U.S.C. 607(c)(2)) is amended  
19 by striking subparagraph (D).

20 **SEC. 404. COUNTING OF UP TO 2 YEARS OF VOCATIONAL**  
21                   **AND EDUCATIONAL TRAINING AS WORK AC-**  
22                   **TIVITY.**

23          Section 407(d)(8) (42 U.S.C. 607(d)(8)) is  
24 amended—

1           (1) by striking “vocational educational train-  
2           ing” and inserting “vocational and educational train-  
3           ing (including postsecondary education)”; and

4           (2) by striking “12” and inserting “24”.

5 **SEC. 405. LIMITED COUNTING OF CERTAIN ACTIVITIES**

6                   **LEADING TO EMPLOYMENT AS WORK ACTIV-**  
7                   **ITY.**

8           (a) **IN GENERAL.**—Section 407(d) (42 U.S.C.  
9 607(d)) is amended—

10           (1) by striking “and” at the end of paragraph  
11           (11);

12           (2) by striking the period at the end of para-  
13           graph (12) and inserting “; and”; and

14           (3) by adding at the end the following:

15           “(13) Up to 6 months of participation (as de-  
16           termined by the State) in services designed to im-  
17           prove future employment opportunities, including  
18           substance abuse treatment services, services to ad-  
19           dress sexual or domestic violence, and physical reha-  
20           bilitation and mental health services.”.

21           (b) **CONFORMING AMENDMENT.**—Section 407(c)(1)  
22 (42 U.S.C. 607(c)(1)) is amended by striking “and (12)”  
23 each place it appears and inserting “(12), and (13)”.

1 **SEC. 406. CLARIFICATION OF AUTHORITY OF STATES TO**  
2 **USE TANF FUNDS CARRIED OVER FROM**  
3 **PRIOR YEARS TO PROVIDE TANF BENEFITS**  
4 **AND SERVICES.**

5 Section 404(e) (42 U.S.C. 604(e)) is amended—

6 (1) in the subsection heading, by striking “AS-  
7 SISTANCE” and inserting “BENEFITS OR SERVICES”;  
8 and

9 (2) after the heading, by striking “assistance”  
10 and inserting “any benefit or service that may be  
11 provided”.

12 **TITLE V—PROMOTING FAMILY**  
13 **FORMATION AND RESPON-**  
14 **SIBLE PARENTING**

15 **SEC. 501. FAMILY FORMATION FUND.**

16 Section 403(a)(2) (42 U.S.C. 603(a)(2)) is amended  
17 to read as follows:

18 “(2) FAMILY FORMATION FUND.—

19 “(A) IN GENERAL.—The Secretary shall  
20 provide grants to States and localities for re-  
21 search, technical assistance, and demonstration  
22 projects to promote and fund best practices in  
23 the following areas:

24 “(i) Promoting the formation of 2-  
25 parent families.

26 “(ii) Reducing teenage pregnancies.

1           “(iii) Increasing the ability of non-  
2           custodial parents to financially support  
3           and be involved with their children.

4           “(B) ALLOCATION OF FUNDS.—In making  
5           grants under this paragraph, the Secretary  
6           shall ensure that not less than 30 percent of  
7           the funds made available pursuant to this para-  
8           graph for a fiscal year are used in each of the  
9           areas described in subparagraph (A).

10           “(C) CONSIDERATION OF DOMESTIC VIO-  
11           LENCE IMPACT.—In making grants under this  
12           paragraph, the Secretary shall consider the po-  
13           tential impact of a project on the incidence of  
14           domestic violence.

15           “(D) APPROPRIATION.—Out of any money  
16           in the Treasury of the United States not other-  
17           wise appropriated, there are appropriated for  
18           each of fiscal years 2003 through 2007  
19           \$100,000,000 for grants under this para-  
20           graph.”.

21 **SEC. 502. DISTRIBUTION OF CHILD SUPPORT COLLECTED**  
22 **BY STATES ON BEHALF OF CHILDREN RE-**  
23 **CEIVING CERTAIN WELFARE BENEFITS.**

24           (a) MODIFICATION OF RULE REQUIRING ASSIGN-  
25           MENT OF SUPPORT RIGHTS AS A CONDITION OF RECEIV-

1 ING TANF.—Section 408(a)(3) (42 U.S.C. 608(a)(3)) is  
2 amended to read as follows:

3           “(3) NO ASSISTANCE FOR FAMILIES NOT AS-  
4           SIGNING CERTAIN SUPPORT RIGHTS TO THE  
5           STATE.—A State to which a grant is made under  
6           section 403 shall require, as a condition of providing  
7           assistance to a family under the State program  
8           funded under this part, that a member of the family  
9           assign to the State any rights the family member  
10          may have (on behalf of the family member or of any  
11          other person for whom the family member has ap-  
12          plied for or is receiving such assistance) to support  
13          from any other person, not exceeding the total  
14          amount of assistance paid to the family under the  
15          program, which accrues during the period that the  
16          family receives assistance under the program.”.

17          (b) INCREASING CHILD SUPPORT PAYMENTS TO  
18 FAMILIES AND SIMPLIFYING CHILD SUPPORT DISTRIBU-  
19 TION RULES.—

20                 (1) DISTRIBUTION RULES.—

21                         (A) IN GENERAL.—Section 457(a) (42  
22                         U.S.C. 657(a)) is amended to read as follows:

23                         “(a) IN GENERAL.—Subject to subsections (d) and  
24 (e), the amounts collected on behalf of a family as support

1 by a State pursuant to a plan approved under this part  
2 shall be distributed as follows:

3 “(1) FAMILIES RECEIVING ASSISTANCE.—In the  
4 case of a family receiving assistance from the State,  
5 the State shall—

6 “(A) pay to the Federal Government the  
7 Federal share of the amount collected, subject  
8 to paragraph (3)(A);

9 “(B) retain, or pay to the family, the State  
10 share of the amount collected, subject to para-  
11 graph (3)(B); and

12 “(C) pay to the family any remaining  
13 amount.

14 “(2) FAMILIES THAT FORMERLY RECEIVED AS-  
15 SISTANCE.—In the case of a family that formerly re-  
16 ceived assistance from the State:

17 “(A) CURRENT SUPPORT.—To the extent  
18 that the amount collected does not exceed the  
19 current support amount, the State shall pay the  
20 amount to the family.

21 “(B) ARREARAGES.—To the extent that  
22 the amount collected exceeds the current sup-  
23 port amount, the State—

24 “(i) shall first pay to the family the  
25 excess amount, to the extent necessary to

1 satisfy support arrearages not assigned  
2 pursuant to section 408(a)(3);

3 “(ii) if the amount collected exceeds  
4 the amount required to be paid to the fam-  
5 ily under clause (i), shall—

6 “(I) pay to the Federal Govern-  
7 ment, the Federal share of the excess  
8 amount described in this clause, sub-  
9 ject to paragraph (3)(A); and

10 “(II) retain, or pay to the family,  
11 the State share of the excess amount  
12 described in this clause, subject to  
13 paragraph (3)(B); and

14 “(iii) shall pay to the family any re-  
15 maining amount.

16 “(3) LIMITATIONS.—

17 “(A) FEDERAL REIMBURSEMENTS.—The  
18 total of the amounts paid by the State to the  
19 Federal Government under paragraphs (1) and  
20 (2) of this subsection with respect to a family  
21 shall not exceed the Federal share of the  
22 amount assigned with respect to the family pur-  
23 suant to section 408(a)(3).

24 “(B) STATE REIMBURSEMENTS.—The  
25 total of the amounts retained by the State

1           under paragraphs (1) and (2) of this subsection  
2           with respect to a family shall not exceed the  
3           State share of the amount assigned with respect  
4           to the family pursuant to section 408(a)(3).

5           “(4) FAMILIES THAT NEVER RECEIVED ASSIST-  
6           ANCE.—In the case of any other family, the State  
7           shall pay the amount collected to the family.

8           “(5) FAMILIES UNDER CERTAIN AGREE-  
9           MENTS.—Notwithstanding paragraphs (1) through  
10          (4), in the case of an amount collected for a family  
11          in accordance with a cooperative agreement under  
12          section 454(33), the State shall distribute the  
13          amount collected pursuant to the terms of the agree-  
14          ment.

15          “(6) STATE FINANCING OPTIONS.—To the ex-  
16          tent that the State share of the amount payable to  
17          a family for a month pursuant to paragraph (2)(B)  
18          of this subsection exceeds the amount that the State  
19          estimates (under procedures approved by the Sec-  
20          retary) would have been payable to the family for  
21          the month pursuant to former section 457(a)(2) (as  
22          in effect for the State immediately before the date  
23          this subsection first applies to the State) if such  
24          former section had remained in effect, the State may  
25          elect to use the grant made to the State under sec-

1       tion 403(a) to pay the amount, or to have the pay-  
2       ment considered a qualified State expenditure for  
3       purposes of section 409(a)(7), but not both.

4               “(7) STATE OPTION TO PASS THROUGH ADDI-  
5       TIONAL SUPPORT WITH FEDERAL FINANCIAL PAR-  
6       TICIPATION.—

7               “(A) IN GENERAL.—Notwithstanding  
8       paragraphs (1) and (2), a State shall not be re-  
9       quired to pay to the Federal Government the  
10      Federal share of an amount collected on behalf  
11      of a family that is not a recipient of assistance  
12      under the State program funded under part A,  
13      to the extent that the State pays the amount to  
14      the family.

15              “(B) RECIPIENTS OF TANF FOR LESS  
16      THAN 5 YEARS.—Notwithstanding paragraphs  
17      (1) and (2), a State shall not be required to pay  
18      to the Federal Government the Federal share of  
19      an amount collected on behalf of a family that  
20      is a recipient of assistance under the State pro-  
21      gram funded under part A and that has re-  
22      ceived the assistance for not more than 5 years  
23      after the date of the enactment of this para-  
24      graph, to the extent that the State pays the  
25      amount to the family.”.

1 (B) APPROVAL OF ESTIMATION PROCE-  
2 DURES.—Not later than October 1, 2002, the  
3 Secretary of Health and Human Services, in  
4 consultation with the States (as defined for  
5 purposes of part D of title IV of the Social Se-  
6 curity Act), shall establish the procedures to be  
7 used to make the estimate described in section  
8 457(a)(6) of such Act.

9 (2) CURRENT SUPPORT AMOUNT DEFINED.—  
10 Section 457(c) (42 U.S.C. 657(c)) is amended by  
11 adding at the end the following:

12 “(5) CURRENT SUPPORT AMOUNT.—The term  
13 ‘current support amount’ means, with respect to  
14 amounts collected as support on behalf of a family,  
15 the amount designated as the monthly support obli-  
16 gation of the noncustodial parent in the order re-  
17 quiring the support.”.

18 (c) BAN ON RECOVERY OF MEDICAID COSTS FOR  
19 CERTAIN BIRTHS.—Section 454 (42 U.S.C. 654) is  
20 amended—

21 (1) by striking “and” at the end of paragraph  
22 (32);

23 (2) by striking the period at the end of para-  
24 graph (33) and inserting “; and”; and

1           (3) by inserting after paragraph (33) the fol-  
2           lowing:

3           “(34) provide that the State shall not use the  
4           State program operated under this part to collect  
5           any amount owed to the State by reason of costs in-  
6           curred under the State plan approved under title  
7           XIX for the birth of a child for whom support rights  
8           have been assigned pursuant to section 408(a)(3),  
9           471(a)(17), or 1912.”.

10          (d) STATE OPTION TO DISCONTINUE CERTAIN SUP-  
11          PORT ASSIGNMENTS.—Section 457(b) (42 U.S.C. 657(b))  
12          is amended by striking “shall” and inserting “may”.

13          (e) CONFORMING AMENDMENTS.—

14                 (1) Section 409(a)(7)(B)(i)(I)(aa) (42 U.S.C.  
15                 609(a)(7)(B)(i)(I)(aa)) is amended by striking  
16                 “457(a)(1)(B)” and inserting “457(a)(1)”.

17                 (2) Section 404(a) (42 U.S.C. 604(a)) is  
18                 amended—

19                         (A) by striking “or” at the end of para-  
20                         graph (1);

21                         (B) by striking the period at the end of  
22                         paragraph (2) and inserting “; or”; and

23                         (C) by adding at the end the following:

24                                 “(3) to fund payment of an amount pursuant to  
25                                 clause (i) or (ii) of section 457(a)(2)(B), but only to

1 the extent that the State properly elects under sec-  
2 tion 457(a)(6) to use the grant to fund the pay-  
3 ment.”.

4 (3) Section 409(a)(7)(B)(i) (42 U.S.C.  
5 609(a)(7)(B)(i)) is amended by adding at the end  
6 the following:

7 “(V) PORTIONS OF CERTAIN  
8 CHILD SUPPORT PAYMENTS COL-  
9 LECTED ON BEHALF OF AND DISTRIB-  
10 UTED TO FAMILIES NO LONGER RE-  
11 CEIVING ASSISTANCE.—Any amount  
12 paid by a State pursuant to clause (i)  
13 or (ii) of section 457(a)(2)(B), but  
14 only to the extent that the State prop-  
15 erly elects under section 457(a)(6) to  
16 have the payment considered a quali-  
17 fied State expenditure.”.

18 (f) EFFECTIVE DATE.—

19 (1) IN GENERAL.—Except as provided in para-  
20 graph (2) of this subsection and section 901(b) of  
21 this Act, the amendments made by this section shall  
22 take effect on October 1, 2006, and shall apply to  
23 payments under parts A and D of title IV of the So-  
24 cial Security Act for calendar quarters beginning on  
25 or after such date, without regard to whether regula-

1 tions to implement the amendments are promulgated  
2 by such date.

3 (2) STATE OPTION TO ACCELERATE EFFECTIVE  
4 DATE.—A State may elect to have the amendments  
5 made by this section apply to the State and to  
6 amounts collected by the State, on and after such  
7 date as the State may select that is after the date  
8 of the enactment of this Act and before the effective  
9 date provided in paragraph (1).

10 **SEC. 503. ELIMINATION OF SEPARATE WORK PARTICIPA-**  
11 **TION RATE FOR 2-PARENT FAMILIES.**

12 Section 407 (42 U.S.C. 607) is amended—

13 (1) in subsection (a)—

14 (A) by striking “(a) PARTICIPATION RATE  
15 REQUIREMENTS.—” and all that follows  
16 through “A State” in paragraph (1) and insert-  
17 ing the following:

18 “(a) PARTICIPATION RATE REQUIREMENT.—A  
19 State”; and

20 (B) by striking paragraph (2); and

21 (2) in subsection (b)—

22 (A) by striking paragraphs (2) and (3);

23 (B) in paragraph (4), by striking “para-  
24 graphs (1)(B) and (2)(B)” and inserting “para-  
25 graph (1)(B)”;

1 (C) in paragraph (5), by striking “rates”  
2 and inserting “rate”; and

3 (D) by redesignating paragraphs (4) and  
4 (5) as paragraphs (2) and (3), respectively.

5 **SEC. 504. BAN ON IMPOSITION OF STRICTER ELIGIBILITY**  
6 **CRITERIA FOR 2-PARENT FAMILIES; STATE**  
7 **OPT-OUT.**

8 (a) PROHIBITION.—Section 408(a) (42 U.S.C.  
9 608(a)) is further amended by adding at the end the fol-  
10 lowing:

11 “(13) BAN ON IMPOSITION OF STRICTER ELIGI-  
12 BILITY CRITERIA FOR 2-PARENT FAMILIES.—

13 “(A) IN GENERAL.—In determining the  
14 eligibility of a 2-parent family for assistance  
15 under a State program funded under this part,  
16 the State shall not impose a requirement that  
17 does not apply in determining the eligibility of  
18 a 1-parent family for such assistance.

19 “(B) STATE OPT-OUT.—Subparagraph (A)  
20 shall not apply to a State if the State legisla-  
21 ture, by law, has elected to make subparagraph  
22 (A) inapplicable to the State.”.

23 (b) PENALTY.—Section 409(a) (42 U.S.C. 609(a)) is  
24 further amended by adding at the end the following:

1           “(16) PENALTY FOR IMPOSITION OF STRICTER  
2           ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES.—

3           “(A) IN GENERAL.—If the Secretary deter-  
4           mines that a State to which a grant is made  
5           under section 403 for a fiscal year has violated  
6           section 408(a)(13) during the fiscal year, the  
7           Secretary shall reduce the grant payable to the  
8           State under section 403(a)(1) for the imme-  
9           diately succeeding fiscal year by an amount  
10          equal to 5 percent of the State family assist-  
11          ance grant.

12          “(B) PENALTY BASED ON SEVERITY OF  
13          FAILURE.—The Secretary shall impose reduc-  
14          tions under subparagraph (A) with respect to a  
15          fiscal year based on the degree of noncompli-  
16          ance.”.

17       **TITLE VI—RESTORING FAIRNESS**  
18       **FOR IMMIGRANT FAMILIES**

19       **SEC. 601. TREATMENT OF ALIENS UNDER THE TANF PRO-**  
20       **GRAM.**

21       (a) EXCEPTION TO 5-YEAR BAN FOR QUALIFIED  
22       ALIENS.—Section 403(c)(2) of the Personal Responsi-  
23       bility and Work Opportunity Reconciliation Act of 1996  
24       (8 U.S.C. 1613(c)(2)) is amended by adding at the end  
25       the following:

1           “(L) Benefits under the Temporary Assist-  
2           ance for Needy Families program described in  
3           section 402(b)(3)(A).”.

4           (b) BENEFITS NOT SUBJECT TO REIMBURSE-  
5           MENT.—Section 423(d) of the Personal Responsibility and  
6           Work Opportunity Reconciliation Act of 1996 (8 U.S.C.  
7           1138a note) is amended by adding at the end the fol-  
8           lowing:

9           “(12) Benefits under part A of title IV of the  
10          Social Security Act except for cash assistance pro-  
11          vided to a sponsored alien who is subject to deeming  
12          pursuant to section 408(h) of the Social Security  
13          Act.”.

14          (c) TREATMENT OF ALIENS.—Section 408 (42  
15          U.S.C. 608) is amended by adding at the end the fol-  
16          lowing:

17          “(h) SPECIAL RULES RELATING TO THE TREAT-  
18          MENT OF 213A ALIENS.—

19                 “(1) IN GENERAL.—In determining whether a  
20          213A alien is eligible for cash assistance under a  
21          State program funded under this part, and in deter-  
22          mining the amount or types of such assistance to be  
23          provided to the alien, the State shall apply the rules  
24          of paragraphs (1), (2), (3), (5), and (6) of sub-  
25          section (f) of this section by substituting ‘213A’ for

1 ‘non-213A’ each place it appears, subject to section  
2 421(e) of the Personal Responsibility and Work Op-  
3 portunity Reconciliation Act of 1996, and subject to  
4 section 421(f) of such Act (which shall be applied by  
5 substituting ‘section 408(h) of the Social Security  
6 Act’ for ‘subsection (a)’).

7 “(2) 213A ALIEN DEFINED.—An alien is a  
8 213A alien for purposes of this subsection if the affi-  
9 davit of support or similar agreement with respect to  
10 the alien that was executed by the sponsor of the  
11 alien’s entry into the United States was executed  
12 pursuant to section 213A of the Immigration and  
13 Nationality Act.”.

14 (d) INCLUSION OF PARTICIPATION IN ENGLISH-AS-  
15 A-SECOND-LANGUAGE PROGRAM AMONG PERMISSIBLE  
16 WORK ACTIVITIES.—Section 407(d) (42 U.S.C. 607(d))  
17 is further amended—

18 (1) by striking “and” at the end of paragraph  
19 (11);

20 (2) by striking the period at the end of para-  
21 graph (12) and inserting “; and”; and

22 (3) by adding at the end the following:

23 “(14) participation in an English-as-a-second-  
24 language program.”.

1 **SEC. 602. TREATMENT OF ALIENS UNDER THE SSI PRO-**  
2 **GRAM.**

3 (a) **ELIGIBILITY OF QUALIFIED ALIENS FOR BENE-**  
4 **FITS.—**

5 (1) **ELIMINATION OF PROHIBITION.—**Section  
6 402(a) of the Personal Responsibility and Work Op-  
7 portunity Reconciliation Act of 1996 (8 U.S.C.  
8 1612(a)) is amended—

9 (A) by striking paragraph (3)(A); and

10 (B) in paragraph (2) by striking subpara-  
11 graphs (D)(i), (E), and (H).

12 (2) **EXCEPTION TO 5-YEAR BAN.—**Section  
13 403(c)(2) of the Personal Responsibility and Work  
14 Opportunity Reconciliation Act of 1996 (8 U.S.C.  
15 1613(c)(2)) is amended by adding at the end the fol-  
16 lowing:

17 “(M) Assistance or benefits under the sup-  
18 plemental security income program under title  
19 XVI of the Social Security Act, including sup-  
20 plementary payments pursuant to an agreement  
21 for Federal administration under section  
22 1616(a) of the Social Security Act and pay-  
23 ments pursuant to an agreement entered into  
24 under section 212(b) of Public Law 93–66  
25 (commonly known as SSI).”.

1 (b) BENEFITS NOT SUBJECT TO REIMBURSE-  
2 MENT.—Section 423(d) of the Personal Responsibility and  
3 Work Opportunity Reconciliation Act of 1996 (8 U.S.C.  
4 1138a note) is further amended by adding at the end the  
5 following:

6 “(13) Assistance under the supplemental secu-  
7 rity income program under title XVI of the Social  
8 Security Act, except assistance provided to a spon-  
9 sored alien who is subject to deeming pursuant to  
10 section 1621 of the Social Security Act.”.

11 (c) CONFORMING AMENDMENTS.—Section  
12 402(b)(2)(F) of the Personal Responsibility and Work Op-  
13 portunity Reconciliation Act of 1996 (8 U.S.C.  
14 1612(b)(2)(F)) is amended by striking “program defined  
15 in subsection (a)(3)(A) (relating to the supplemental secu-  
16 rity income program)” and inserting “supplemental secu-  
17 rity income program under title XVI of the Social Security  
18 Act, including supplementary payments pursuant to an  
19 agreement for Federal administration under section  
20 1616(a) of the Social Security Act and payments pursuant  
21 to an agreement entered into under section 212(b) of Pub-  
22 lic Law 93–66”.

23 (d) PERIOD FOR ATTRIBUTION OF SPONSOR’S IN-  
24 COME AND RESOURCES.—Section 1621 (42 U.S.C. 1382j)

1 is amended in each of subsections (a), (c), (d), and (e),  
2 by striking “3” and inserting “5”.

3 **SEC. 603. EFFECTIVE DATE AND APPLICABILITY.**

4 (a) **EFFECTIVE DATE.**—The amendments made by  
5 this title shall take effect October 1, 2002.

6 (b) **APPLICABILITY.**—The amendments made by the  
7 provisions of this title apply to benefits provided on or  
8 after the effective date of this title.

9 **TITLE VII—ENSURING STATE**  
10 **ACCOUNTABILITY**

11 **SEC. 701. INFLATION ADJUSTMENT OF MAINTENANCE-OF-**  
12 **EFFORT REQUIREMENT.**

13 Section 409(a)(7) (42 U.S.C. 609(a)(7)) is  
14 amended—

15 (1) in subparagraph (A), by inserting “infla-  
16 tion-adjusted” before “historic State expenditures”;  
17 and

18 (2) in subparagraph (B), by adding at the end  
19 the following:

20 “(vi) **INFLATION-ADJUSTED HISTORIC**  
21 **STATE EXPENDITURES.**—The term “infla-  
22 tion-adjusted historic State expenditures”  
23 means, with respect to a fiscal year, his-  
24 toric State expenditures with respect to the  
25 fiscal year, multiplied by the sum of 1.00

1 plus the inflation percentage (as defined in  
2 section 403(a)(2)(F)) in effect for the fis-  
3 cal year.”.

4 **SEC. 702. BAN ON USING FEDERAL TANF FUNDS TO RE-**  
5 **PLACE STATE AND LOCAL SPENDING THAT**  
6 **DOES NOT MEET THE DEFINITION OF QUALI-**  
7 **FIED STATE EXPENDITURES.**

8 (a) PROHIBITION.—Section 408(a) (42 U.S.C.  
9 608(a)) is further amended by adding at the end the fol-  
10 lowing:

11 “(14) BAN ON USING FEDERAL TANF FUNDS  
12 TO REPLACE STATE OR LOCAL SPENDING THAT  
13 DOES NOT MEET THE DEFINITION OF QUALIFIED  
14 STATE EXPENDITURES.—A State to which a grant is  
15 made under section 403 and a sub-State entity that  
16 receives funds from such a grant shall not expend  
17 any part of the grant funds to supplant State or  
18 local spending for benefits or services which are not  
19 qualified State expenditures (within the meaning of  
20 section 409(a)(7)(B)(i)).”.

21 (b) PENALTY.—Section 409(a) (42 U.S.C. 609(a)) is  
22 further amended by adding at the end the following:

23 “(17) PENALTY FOR USING FEDERAL TANF  
24 FUNDS TO REPLACE STATE OR LOCAL SPENDING

1 THAT DOES NOT MEET THE DEFINITION OF QUALI-  
2 FIED STATE EXPENDITURES.—

3 “(A) IN GENERAL.—If the Secretary deter-  
4 mines that a State to which a grant is made  
5 under section 403 for a fiscal year has violated  
6 section 408(a)(14) during the fiscal year, the  
7 Secretary shall reduce the grant payable to the  
8 State under section 403(a)(1) for the imme-  
9 diately succeeding fiscal year by an amount  
10 equal to 5 percent of the State family assist-  
11 ance grant.

12 “(B) PENALTY BASED ON SEVERITY OF  
13 FAILURE.—The Secretary shall impose reduc-  
14 tions under subparagraph (A) with respect to a  
15 fiscal year based on the degree of noncompli-  
16 ance.”.

17 **TITLE VIII—IMPROVING INFOR-**  
18 **MATION ABOUT TANF RECIPI-**  
19 **ENTS AND PROGRAMS**

20 **SEC. 801. EXTENSION OF FUNDING OF STUDIES AND DEM-**  
21 **ONSTRATIONS.**

22 Section 413(h)(1) (42 U.S.C. 613(h)(1)) is amended  
23 by striking “2002” and inserting “2007”.

1 **SEC. 802. LONGITUDINAL STUDIES OF EMPLOYMENT AND**  
2 **EARNINGS OF TANF LEAVERS.**

3 Section 413 (42 U.S.C. 613) is amended—

4 (1) in subsection (h)(1)—

5 (A) by striking “and” at the end of sub-  
6 paragraph (C);

7 (B) by striking the period and inserting “;  
8 and”; and

9 (C) by adding at the end the following:

10 “(E) the cost of conducting the studies de-  
11 scribed in subsection (k).”; and

12 (2) by adding at the end the following:

13 “(k) LONGITUDINAL STUDIES OF EMPLOYMENT AND  
14 EARNINGS OF TANF LEAVERS.—

15 “(1) IN GENERAL.—The Secretary, directly or  
16 through grants, contracts, or interagency agree-  
17 ments shall conduct a study in each eligible State of  
18 a statistically relevant cohort of individuals who  
19 leave the State program funded under this part dur-  
20 ing fiscal year 2003 and individuals who leave the  
21 program during fiscal year 2005, which uses State  
22 unemployment insurance data to track the employ-  
23 ment and earnings status of the individuals during  
24 the 3-year period beginning at the time the individ-  
25 uals leave the program.

1           “(2) REPORTS.—The Secretary shall annually  
2           publish the findings of the studies conducted pursu-  
3           ant to paragraph (1) of this subsection, and shall  
4           annually publish the earnings data used in making  
5           determinations under section 407(b).”.

6 **SEC. 803. INCLUSION OF DISABILITY STATUS IN INFORMA-**  
7           **TION STATES REPORT ABOUT TANF FAMI-**  
8           **LIES.**

9           Section 411(a)(1)(A) (42 U.S.C. 611(a)(1)(A)) is  
10          amended by adding at the end the following:

11                           “(xviii) Whether the head of the fam-  
12                           ily has a significant physical or mental im-  
13                           pairment.

14 **SEC. 804. ANNUAL REPORT TO THE CONGRESS TO INCLUDE**  
15           **GREATER DETAIL ABOUT STATE PROGRAMS**  
16           **FUNDED UNDER TANF.**

17          Section 411(b)(3) (42 U.S.C. 611(b)(3)), as amended  
18          by section 401(b)(1) of this Act, is amended to read as  
19          follows:

20                           “(3) the characteristics of each State program  
21                           funded under this part, including, with respect to  
22                           each program funded with amounts provided under  
23                           this part or with amounts the expenditure of which  
24                           is counted as a qualified State expenditure for pur-  
25                           poses of section 409(a)(7)—

1           “(A) the name of the program;

2           “(B) whether the program is authorized at  
3 a sub-State level (such as at the county level);

4           “(C) the purpose of the program;

5           “(D) the main activities of the program;

6           “(E) the total amount received by the pro-  
7 gram from amounts provided under this part;

8           “(F) the total of the amounts received by  
9 the program that are amounts the expenditure  
10 of which are counted as qualified State expendi-  
11 tures for purposes of section 409(a)(7);

12           “(G) the total funding level of the pro-  
13 gram;

14           “(H) the total number of individuals  
15 served by the program, and the number of such  
16 individuals served specifically with funds pro-  
17 vided under this part or with amounts the ex-  
18 penditure of which are counted as qualified  
19 State expenditures for purposes of section  
20 409(a)(7); and

21           “(I) the eligibility criteria for participation  
22 in the program;”.

1 **SEC. 805. ENHANCEMENT OF UNDERSTANDING OF THE**  
2 **REASONS INDIVIDUALS LEAVE STATE TANF**  
3 **PROGRAMS.**

4 (a) DEVELOPMENT OF COMPREHENSIVE LIST OF  
5 CASE CLOSURE REASONS.—The Secretary of Health and  
6 Human Services shall develop, in consultation with States  
7 and policy experts, a comprehensive list of reasons why  
8 individuals leave State programs funded under this part.  
9 The list shall be aimed at substantially reducing the num-  
10 ber of case closures under the programs for which a reason  
11 is not known.

12 (b) INCLUSION IN QUARTERLY STATE REPORTS.—  
13 Section 411(a)(1)(A)(xvi) (42 U.S.C. 611(a)(1)(A)(xvi)) is  
14 amended—

15 (1) by striking “or” at the end of subclause  
16 (IV);

17 (2) by striking the period at the end and insert-  
18 ing “; or”; or

19 (3) by adding at the end the following:

20 “(VI) a reason specified in the  
21 list developed under section 805(a) of  
22 the Next Step in Reforming Welfare  
23 Act.”.

24 **SEC. 806. STANDARDIZED STATE PLANS.**

25 Within 6 months after the date of the enactment of  
26 this Act, the Secretary of Health and Human Services,

1 after consulting with the States, shall establish a stand-  
2 ardized format which States shall use to submit plans  
3 under section 402(a) of the Social Security Act for fiscal  
4 year 2004 and thereafter.

## 5 **TITLE IX—EFFECTIVE DATE**

### 6 **SEC. 901. EFFECTIVE DATE.**

7 (a) IN GENERAL.—Except as provided in section  
8 502(f) and in subsection (b) of this section, the amend-  
9 ments made by this Act shall take effect on October 1,  
10 2002, and shall apply to payments under parts A and D  
11 of title IV of the Social Security Act for calendar quarters  
12 beginning on or after such date, without regard to whether  
13 regulations to implement the amendments are promul-  
14 gated by such date.

15 (b) DELAY PERMITTED IF STATE LEGISLATION RE-  
16 QUIRED.—In the case of a State plan under section 402(a)  
17 or 454 of the Social Security Act which the Secretary of  
18 Health and Human Services determines requires State  
19 legislation (other than legislation appropriating funds) in  
20 order for the plan to meet the additional requirements im-  
21 posed by the amendments made by this Act, the State plan  
22 shall not be regarded as failing to comply with the require-  
23 ments of such section 402(a) or 454 solely on the basis  
24 of the failure of the plan to meet such additional require-  
25 ments before the 1st day of the 1st calendar quarter be-

1 ginning after the close of the 1st regular session of the  
2 State legislature that begins after the date of the enact-  
3 ment of this Act. For purposes of the previous sentence,  
4 in the case of a State that has a 2-year legislative session,  
5 each year of such session shall be deemed to be a separate  
6 regular session of the State legislature.

○