# NLWJC - Kagan
# DPC - Box 066 - Folder-004

# Welfare-Welfare to Work Legislation [4]

Chairman's Mark
Budget Reconciliation Human Resources Items
Committee on Ways and Means
June 10, 1997

| Provision | Present Law | Explanation of Provision | Effective Date |
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| **TITLE IX — COMMITTEE ON WAYS AND MEANS — NONMEDICARE** | | | |
| **Subtitle A — TANF Block Grant** | | | |
| Section 9001. Welfare-to-Work Grants | The law combines recent Federal funding levels for three repealed programs (AFDC, Emergency Assistance, and JOBS) into a single block grant ($16.5 billion annually through Fiscal Year 2002). Each State is entitled to the sum it received for these programs in a recent year, but no part of the TANF grant is earmarked for any program component, such as benefits or work programs. The law also provides an average of $2.3 billion annually in a child care block grant. | After reserving 1 percent of each year's appropriation for Indian tribes and .5 percent for evaluation by the Secretary of HHS, the remainder of each year's appropriation is divided into two grant funds of about $1.478 billion each. The first fund is used for grants to states and localities and is allocated by a formula based equally on each state's share of the national poor population, unemployed workers, and adults receiving assistance under the Temporary Assistance for Needy Families block grant. The second fund is used to support proposals submitted by private industry councils (authorized by the Job Training Partnership Act) or political subdivisions of states that are determined by the Secretary of Labor, in consultation with the Secretaries of Health and Human Services and Housing and Urban Development, to hold promise for helping long-term welfare recipients enter the workforce.<br><br>Formula grants from the first fund are to be provided to States for the purpose of initiating projects that aim to place long-term welfare recipients in the workforce. Governors must distribute at least 85 percent of the state allotment to service delivery areas within the state. These funds must be distributed in accord with a formula devised by the governor that bases at least 50 percent of its allocation weight on poverty and may also include two additional factors, welfare recipients who have received benefits for 30 or more months and unemployment. Any service delivery area that, under this formula, would be allotted less than $100,000 will not receive any funds; these funds will instead revert to the governor. Governors may use up to 15 percent of the state allocation, plus any amounts remitted from service delivery areas that would be allotted less than $100,000, to fund projects designed to help long-term recipients enter the workforce. Formula grant funds for service delivery areas must be passed through to private industry councils; these councils have sole authority to expend funds, but they cannot conduct programs themselves and they must consult with the agency responsible for administering the state TANF program. | Date of enactment (funds are available beginning in fiscal year 1998). |

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| Section 9001. Welfare-to-Work Grants — *continued* | | Competitive grants are awarded on the basis of the likelihood that program applicants can successfully make long-term placements of welfare-dependent individuals into the workforce. Private industry councils or any political subdivision of a state may apply for funds. The Secretary must ensure that at least 65 percent of each year's amount available for competitive grants is awarded to the 100 cities in the U.S. that have the highest number of poor adults and that at least 25 percent is available to rural areas. Awards to each project must be based on the Secretary's determination of the amount needed for the project to be successful.<br><br>Funds under both the competitive grants and the formula grants can be spent only for job creation through public or private sector employment wage subsidies, on-the-job training, contracts with public or private providers of readiness, placement, and post-employment services, job vouchers, and job support services if such services are not otherwise available. Any entity receiving funds under either grant must expend at least 90 percent of the money on recipients who have received benefits for at least 30 months, who suffer from multiple barriers to employment, or are within 12 months of a mandatory time limit on benefits. States must provide a 33 percent match of federal funds.<br><br>Entitlement funds available under this program are $.75 billion for fiscal year 1998, $1.25 billion for fiscal year 1999, and $1.0 billion for fiscal year 2000. | |
| Section 9002. Limitation on Amount of Federal Funds Transferable to Title XX Programs | States may transfer up to 30 percent of their TANF funds to the Title XX block grant and the Child Care and Development Block Grant (CCDBG), but no more than 1/3rd of the total transfer may go to the former. (For every $1 transferred to Title XX, $2 must go to the child care block grant.) | The 30 percent transfer provision is replaced with a provision allowing States to transfer up to 30 percent of their TANF funds to the child care block grant and up to 10 percent of the TANF funds to the Title XX block grant. States may transfer funds to both block grants, but the total amount transferred may not exceed 30 percent of TANF funds in any year. The provision that transfers to the Title XX block grant can be spent only on children and families below 200 percent of the poverty level is retained. | August 22, 1996 |

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| Section 9003. Clarification of Limitation on Number of Persons Who May Be Treated as Engaged in Work by Reason of Participation in Educational Activities | The law restricts to 20 percent the proportion of persons "in all families and in 2-parent families" who may be treated as engaged in work for a month by reason of participating in vocational education training or, if single teenage household heads without a high school diploma, by reason of satisfactory attendance at secondary school or participation in education directly related to employment. | Rather than restrict to 20 percent the proportion of persons in all families and in 2-parent families who may be treated as engaged in work by reason of vocational educational training, secondary education, or education related to employment, this provision restricts to 30 percent the proportion of persons who may qualify as meeting the work standard by reason of vocational educational, training, secondary education, and other education related to employment. | August 22, 1996 |
| Section 9004. Required Hours of Work | The new welfare law is silent on the issue of coverage of TANF "workfare" participants by the Federal wage standards. TANF work activities include two workfare programs: work experience and community service. In these programs, recipients are required to perform services in exchange for their cash benefit. For single parents, required weekly hours of workfare (or other work activity) begin at 20 and, for those without a preschool child, rise to 30 in Fiscal Year 2000. For two-parent families, minimum average hours are 35 weekly. Application of Federal wage standards to TANF workfare programs would require some States to increase TANF benefits, especially for smaller families, and/or to add food stamp benefits in order to meet Federal wage standard with half-time (or 3/4 time) workfare assignments. | 1. Welfare recipients in placements in the public and nonprofit sectors are not defined as employees.<br><br>2. States may not require recipients to be employed by a public agency or nonprofit organization for a number of hours greater than the welfare benefits package divided by the minimum wage ($4.75 per hour until September 1, 1997, then $5.15 per hour).<br><br>3. The welfare benefits package used in the hours computation must include the dollar value of benefits provided under the Temporary Assistance for Needy Families (TANF) program plus the dollar value of benefits provided by the Food Stamp program. At state option, the welfare benefits package may also include the insurance value of Medicaid (as defined by the Secretary), the dollar value of child care benefits, and the dollar value of housing benefits.<br><br>4. If recipients are employed for at least the number of hours equal to the dollar value of TANF benefits plus the dollar value of Food Stamp benefits divided by the federal minimum wage, then States may subtract from the hours of work required to meet the participation standard (20 hours per week in 1997 and 1998, 25 hours in 1999, and 30 hours in 2000 and thereafter) the number of hours recipients participate in various educational activities. | August 22, 1996 |

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| Section 9005. Penalty for Failure of a State to Reduce Assistance for Recipients Refusing Without Good Cause to Work | States are required to reduce benefits *pro rata* (or more, at the option of the State) during any period in which recipients refuse to meet work requirements. | The Secretary is required to reduce the annual TANF grant amount by between 1 and 5 percent in the case of States that do not reduce assistance *pro rata* for missed work. | August 22, 1996 |
| | **Subtitle B — Supplemental Security Income** | | |
| Section 9101. Requirement to Perform Childhood Disability Redeterminations in Missed Cases | By August 22, 1997 (one year after the date of enactment of P.L. 104-193), the Commissioner of SSA is expected to redetermine the eligibility of any child receiving SSI benefits on August 22, 1996, whose eligibility may be affected by changes in childhood disability eligibility criteria including the new definition of childhood disability and the elimination of the individualized functional assessment. Benefits of current recipients will continue until the later of July 1, 1997 or a redetermination assessment. Should a child be found incligible, benefits will end following redetermination. Within 1 year of attainment of age 18, SSA is expected to make a medical redetermination of current SSI childhood recipients using adult disability eligibility criteria. For low birth weight babies, a review must be conducted within 12 months after the birth of a child whose low birth weight is a contributing factor to his or her disability. | This provision extends the period by which SSA must redetermine the eligibility of any child receiving benefits on August 22, 1996 whose eligibility may be affected by changes in childhood disability from 1 year after the date of enactment to 18 months after the date of enactment. The provision also specifies that any child subject to a SSI redetermination under the terms of the welfare reform law whose redetermination does not occur during the 18-month period following enactment (that is, by February 22, 1998) is to be assessed as soon as practicable thereafter using the new eligibility standards applied to other children under the welfare reform law. | August 22, 1996 |

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| Section 9102. Repeal of Maintenance of Effort Requirements Applicable to Optional State Programs for Supplementation of SSI Benefits | Since the beginning of the SSI program, States have had the option to supplement the Federal SSI payment with State funds. The purpose of section 1618 of the Social Security Act was to encourage States to pass along to SSI recipients the amount of any Federal SSI benefit increase. Under section 1618, a State that is found to be not in compliance with the "pass along/maintenance of effort" provision is subject to loss of its Medicaid reimbursements. Section 1618 allows States to comply with the "pass along/maintenance of effort" provision by either maintaining their State supplementary payment levels at or above 1983 levels or by maintaining total annual expenditures for supplementary payments (including any Federal cost-of-living adjustment) at a level at least equal to the prior 12-month period, provided the State was in compliance for that period. In effect, section 1618 requires that once a State elects to provide supplementary payments it must continue to do so. | The maintenance of effort requirements applicable to optional State programs for supplementation of SSI benefits is repealed. | Date of enactment |
| Sec. 9103. Fees for Federal Administration of State Supplementary Payments | P.L. 103-66, the Omnibus Budget Reconciliation Act of 1993, stipulated that part of the administrative cost of the SSI program was to be funded through a user fee. Since Fiscal Year 1994, States have been required to pay a fee for Federal administration of State supplementary SSI payments. Thus, States that choose to have their supplementary SSI payments administered by the Social Security Administration must pay the Commissioner of Social Security $5 per payment for Fiscal Year 1996 and each succeeding year, or a different rate deemed appropriate for the State by the Commissioner (the rate per payment was $1.67 in Fiscal Year 1994 and $3.33 in Fiscal Year 1995). | The administrative fee charged by the Federal government for including State supplemental SSI payments with the Federal SSI check is increased as follows:<br><br>Fiscal Year — Administrative Fee<br>1997 ..... $5.00<br>1998 ..... 6.20<br>1999 ..... 7.60<br>2000 ..... 7.80<br>2001 ..... 8.10<br>2002 ..... 8.50<br><br>For 2003 and subsequent years, the rate from the previous year is increased by the percentage by which the Consumer Price Index increased that year or a different amount established by the Commissioner. Revenue attributed to the increase in fees (i.e., amounts in excess of $5.00) each year would, subject to the appropriation process, be available to defray the Social Security Administration's administrative costs. | Date of enactment |

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| | **Subtitle C — Child Support Enforcement** | | |
| Section 9201. Clarification of Authority to Permit Certain Redisclosures of Wage and Claim Information | P.L. 104-193 gives the Department of Health and Human Services (HHS) the authority to obtain information about the wages and unemployment compensation paid to individuals from State unemployment compensation agencies for the State Directory of New Hires. The State Directory of New Hires is then to furnish this wage and claim information, on a quarterly basis, to the National Directory of New Hires. P.L. 104-193 also requires State unemployment compensation agencies to establish such safeguards as the Secretary of Labor determines are necessary to insure that the information disclosed to the National Directory of New Hires is used only for the purpose of administering programs under State plans approved under the Child Support Enforcement program, the Temporary Assistance for Needy Families (TANF) block grant, and for other purposes authorized in section 453 of the Social Security Act (as amended by P.L. 104-193). | Although the welfare reform bill allowed HHS to disclose information from the Directory of New Hires to the Social Security Administration and to the Internal Revenue Service, the wording of a provision in the child support title of the legislation could be interpreted to contradict this policy. This wording is amended to clarify that HHS is authorized to share information from the Directory of New Hires with the Social Security Administration and the Internal Revenue Service. | August 22, 1996 |
| | **Subtitle D — Restricting Welfare and Public Benefits for Aliens** | | |
| Section 9301. Extension of Eligibility Period for Refugees From 5 to 7 Years for SSI, TANF, and Other Benefits | Current law provides a 5-year exemption from: (1) the bar against SSI and Food Stamps; and (2) the provision allowing States to deny "qualified aliens" access to Medicaid, TANF, and Social Services Block Grant for three groups of aliens admitted for humanitarian reasons. These groups are: (1) refugees, for 5 years after entry; (2) asylees, for 5 years after being granted asylum; and (3) aliens whose deportation is withheld on the grounds of likely persecution upon return, for 5 years after such withholding. | The welfare reform law guarantees refugees' eligibility for welfare benefits during their first 5 years after arrival in the U.S. This change would lengthen that period to the first 7 years following refugees' arrival in the U.S. | Date of enactment |

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| Section 9302(i). SSI Eligibility for Aliens Receiving SSI on August 22, 1996 | *SSI.* The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) bars most "qualified aliens" from Supplemental Security Income (SSI) for the Aged, Blind, and Disabled (sec.402(a)). Current recipients must be screened for continuing eligibility during a 1-year period after enactment of the welfare law (i.e., by Aug. 22, 1997). The pending Fiscal Year 1997 supplemental appropriations bill would extend this date until September 30, 1997.<br><br>*Medicaid.* States may exclude "qualified aliens" who entered the United States before enactment of the welfare law (August 22, 1996) from Medicaid beginning January 1, 1997 (sec. 402(b)). Additionally, to the extent that legal immigrants' receipt of Medicaid is based only on their eligibility for SSI, some will lose Medicaid because of their ineligibility for SSI.<br><br>*Definitions and exemptions.* "Qualified aliens" are defined by P.L. 104-193 (as amended by P.L. 104-208) as aliens admitted for legal permanent residence (i.e., immigrants), refugees, aliens paroled into the United States for at least 1 year, aliens granted asylum or related relief, and certain abused spouses and children.<br><br>Certain "qualified aliens" are exempted from the SSI bar and the State option to deny Medicaid, as well as from certain other restrictions. These groups include: (1) refugees for 5 years after admission and asylees 5 years after obtaining asylum; (2) aliens who have worked, or may be credited with, 40 "qualifying quarters." As defined by P.L. 104-193, a "qualifying quarter" is a 3-month work period with sufficient income to qualify as a social security quarter and, with respect to periods beginning after 1996, during which the worker did not receive Federal means-based assistance (Sec. 435). The "qualifying quarter" test takes into account work performed by the alien, the alien's parent while the alien was under age 18, and the alien's spouse (provided the alien remains married to the spouse or the spouse is deceased); and (3) veterans, active duty members of the armed forces, and their spouses and unmarried dependent children. | Legal noncitizens who were receiving SSI benefits on August 22, 1996 (the date of enactment of the welfare reform law) would remain eligible for SSI, despite underlying restrictions in the Personal Responsibility and Work Opportunity Act. | Date of enactment |

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| Section 9302(ii). Restricting SSI Benefits for Aliens with Sponsors on Whom to Depend | The noncitizen population that would be grandfathered in by the SSI and Medicaid changes discussed above entered the U.S. under the pre-1996 public charge and sponsorship rules. Prior to its amendment by the 1996 immigration law, immigration laws provided for the exclusion of "any alien who, in the opinion of the consular officer at the time of application for a visa, or in the opinion of the Attorney General at the time of application for admission for adjustment of status, is likely at any time to become a public charge." An immigrant trying to obtain entry could meet this public charge requirement based on his own funds, prearranged or prospective employment, or an affidavit of support. Affidavits of support were administratively required but had no basis in law or regulation.<br><br>The general standard regarding income level was that the sponsor (or sponsors) have sufficient means to assure that the immigrant's income equal or exceed the Federal poverty guidelines. Court decisions beginning in the 1950s held that affidavits of support were not legally binding on U.S. resident sponsors. Their principal force came from the sponsor-to-alien deeming provisions adopted in the early 1980s for the Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), and Food Stamp programs. The enabling legislation for these programs provided that some portion of the sponsor's income had to be deemed available to the immigrant in determining whether the sponsored immigrant met the program's financial eligibility requirement. The deeming period was generally 3 years, although it was temporarily extended to 5 years for SSI during the period January 1994 through September 1996. (It has reverted back to 3 years for those immigrants still covered by the old rules.) | The guarantee of eligibility for SSI benefits is restricted to those noncitizens who entered the U.S. without sponsors, whose sponsors have died, or whose sponsors have limited means -- evidenced by income below $40,000 -- with which to provide for the noncitizen's support. | Date of enactment |

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| Section 9303. SSI Eligibility for Permanent Resident Aliens Who Are Members of an Indian Tribe | With limited exception, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) makes "qualified aliens," including aliens lawfully admitted for permanent residence, ineligible for Supplemental Security Income (SSI) for the Aged, Blind, and Disabled. The limited exceptions to this bar do not include one based on membership in an Indian tribe.<br><br>Though the immigration status of foreign-born Indians can, like that of other aliens, vary from individual to individual, immigration law does accord certain Indians entry rights that facilitate their residing here as legal permanent residents. Section 289 of the Immigration and Nationality Act of 1952 (INA) preserves the right of free passage recognized in the Jay Treaty of 1794 by allowing "American Indians born in Canada" unimpeded entry and residency rights if they "possess at least 50 per centum of blood of the American Indian race." By regulation, individuals who enter the U.S. and reside here under this provision are regarded as lawful permanent resident aliens.<br><br>Wholly separate from immigration law, the Indian Self-Determination and Education Assistance Act defines "Indian tribe" as a tribe, band, nation, or other organized group that is recognized as eligible for special Indian programs and services. Recognition may be based on a treaty or statute, or may be drawn from the acknowledgment process. Not all Indian communities, nations, tribes, and other groups are federally recognized. | Permanent resident Indians who are members of recognized tribes are eligible for SSI, despite restrictions in the welfare law on noncitizens' eligibility for benefits. | Date of enactment |
| Section 9304. Verification of Eligibility for State and Local Public Benefits | Last year's welfare reform law requires the Attorney General, in consultation with the Secretary of Health and Human Services, to promulgate regulations requiring verification that persons applying for Federal public benefits are citizens or qualified aliens and eligible for the benefits (sec. 432(a)). The law also requires that States administering programs that provide a Federal public benefit have a verification system that complies with the regulation (sec. 432(b)). However, the law does not provide authority for State and local governments to verify eligibility for State or local public benefits. | This provision authorizes States or political subdivisions to require an applicant for State or local public benefits (as defined in section 411(c) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996) to provide proof of eligibility. | Date of enactment |

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| **Subtitle E — Unemployment Compensation** | | | |
| Section 9401. Clarifying Provision Relating to Base Periods | Federal law establishes broad guidelines for the operation of State unemployment insurance (UI) programs but leaves most of the details of eligibility and benefits to State determination. One of these general Federal guidelines calls for States to use administrative methods that ensure full payment of UI benefits "when due." All States meet this requirement with program rules that the U.S. Department of Labor has found to be in compliance. In complying with the "when due" clause, States must decide what "base period" to use in measuring a claimant's wage history for the purpose of determining individual eligibility and benefit entitlement. States have generally used a base period consisting of the first 4 of the last 5 completed calendar quarters. However, several States that use this base period also use an "alternative base period," usually the last 4 completed calendar quarters. This alternative base period is used for claimants who are found to be ineligible because their earnings were too low in the regular base period. Although current State base periods have Department of Labor approval, a Federal court in Illinois, in the case of Pennington v. Doherty, ruled that the State of Illinois is not in compliance with the "when due" clause because it could feasibly use a more recent base period, which would benefit a significant number of claimants. This case may be appealed further. If left standing, it will apply only to three States: Illinois, Indiana, and Wisconsin. However, similar suits have been filed in other States, and they could lead to a de facto national rules change based on judicial action. | The amendment reinforces current policy by affirming that States have complete authority to set their own base periods used in determining individuals' eligibility for unemployment insurance benefits. According to the Congressional Budget Office, failing to make this change could result in 41 States' being required to adopt alternative base periods at a cost of $400 million annually in added UI benefits plus increased administrative costs. CBO assumes that States would increase their revenue collections (by raising payroll taxes) to cover any increase in benefit outlays. | This section shall apply for purposes of any period beginning before, on, or after the date of enactment of this Act |

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| Sections 9402 & 9403. Increase in Federal Unemployment Account Ceiling and Special Distribution to States from the Unemployment Trust Fund | FUTA taxes are credited to Federal accounts in the Unemployment Trust Fund in proportions that are set by statute. Funds are held in reserve in these accounts to provide Federal spending authority for certain purposes. The Employment Security Administration Account (ESAA) funds Federal and State administration of the UI program. The Extended Unemployment Compensation Account (EUCA) finances the Federal share of extended UI benefits. The Federal Unemployment Account (FUA) provides authority for loans to States with insolvent UI benefit accounts. Each of these accounts has a statutory ceiling. ESAA's balance after the end of a fiscal year is reduced to 40% of the prior-year appropriation from ESAA. Excess funds are transferred to EUCA and/or FUA. The ceilings on EUCA and FUA are set as a percent of total wages in employment covered by UI. The current ceilings are 0.5% of wages for EUCA and 0.25% of wages for FUA. If all three accounts reach their ceilings, excess funds are distributed among the 53 State benefit accounts in the Unemployment Trust Fund, after repayment of any outstanding general revenue advances to FUA and EUCA. These transfers to the State accounts are termed "Reed Act transfers" after the name of the legislation that authorized this use of excess FUTA funds. The Department of Labor projects that Reed Act transfers will be triggered beginning in Fiscal Year 2000 under present law. | The provision would double the Federal Unemployment Account ceiling from 0.25 percent to 0.50 percent of covered wages. In addition, for each of the fiscal years 2000, 2001, and 2002, $100 million may be transferred, subject to the appropriations process, from the Federal UI accounts to the State accounts for use by States in administering their UI programs. Funds are to be distributed among the States in the same manner as administrative funds from the Federal account are allocated. | Date of enactment |

| Provision | Present Law | Explanation of Provision | Effective Date |
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| Section 9404. Interest-Free Advances to State Accounts in Unemployment Trust Fund Restricted to States Which Meet Funding Goals | The Unemployment Trust Fund has 53 benefit accounts for the UI programs of each State, the District of Columbia, Puerto Rico, and the Virgin Islands. Each of these jurisdictions raises revenue from their own payroll taxes to finance the UI benefits they pay to their jobless workers. State UI revenue collections are deposited with the U.S. Treasury, which credits the individual State accounts. Each State's benefit payments are reimbursed by the Federal government; these reimbursements are charged against their trust fund accounts. The balance in each account represents the amount available to a State for payment of UI benefits at any point in time. If a State account becomes insolvent, the State can receive an interest-bearing loan from the Federal government. Should a State account become insolvent during an economic downturn, adverse conditions can result for the State and its employers. Borrowing Federal funds imposes a cost on the State at a time when it may face other financial difficulties. The State may react by raising taxes on its employers, thereby discouraging economic activity during a period when its economy is already in decline. Thus, States strive to adopt financing policies that assure a positive balance will be maintained in their benefit accounts during all foreseeable circumstances, including economic downturns. However, account balances vary widely among the States in relation to the States' benefit payments and covered wages. As a result, some States find it necessary to borrow Federal funds more often than others. Congress has never applied Federal standards to State benefit account reserve levels. | States that maintain adequate reserves (defined as sufficient to cover, in 4 out of the 5 most recent calendar quarters, the average benefits paid during the 3 years out of the last 20 years in which the State paid the greatest UI benefits) would be allowed to receive interest-free, Federal loans for the operation of State UI program activities. | Applies to calendar years beginning after December 31, 1997 |

Note: For a description of additional unemployment insurance provisions regarding election workers, inmates, and employees of certain religious schools, see the additional document prepared by the Joint Committee on Taxation.

# [COMMITTEE PRINT]

# Chairman's Mark

JUNE 9, 1997

## ENTITLEMENT (NON-MEDICARE) RECONCILIATION RECOMMENDATIONS FOR FISCAL YEAR 1998 HOUSE COMMITTEE ON WAYS AND MEANS

Pursuant to section 105(c)(8)(A) of the concurrent resolution on the budget for fiscal year 1998 (H. Con. Res. 84, 105th Congress), the Committee on Ways and Means hereby submits the following recommendations to the Committee on the Budget for inclusion in reconciliation legislation to be reported to the House:

# TITLE IX—COMMITTEE ON WAYS AND MEANS-NONMEDICARE

**SEC. 9000. TABLE OF CONTENTS.**

The table of contents of this title is as follows:

# Subtitle A—TANF Block Grant

**SEC. 9001. WELFARE-TO-WORK GRANTS.**

(a) GRANTS TO STATES.—Section 403(a) of the Social Security Act (42 U.S.C. 603(a)) is amended by adding at the end the following:

"(5) WELFARE-TO-WORK GRANTS.—

"(A) NONCOMPETITIVE GRANTS.—

"(i) ENTITLEMENT.—A State shall be entitled to receive from the Secretary a grant for each fiscal year specified in subparagraph (H) of this paragraph for which the State is a welfare-to-work State, in an amount that does not exceed the lesser of—

"(I) 2 times the total of the expenditures by the State (excluding qualified State expenditures (as defined in section 409(a)(7)(B)(i)) and expenditures described in section 409(a)(7)(B)(iv)) during the fiscal year for activities described in subparagraph (C)(i) of this paragraph; or

"(II) the allotment of the State under clause (iii) of this subparagraph for the fiscal year.

"(ii) WELFARE-TO-WORK STATE.—A State shall be considered a welfare-to-work State for a fiscal year for purposes of this subparagraph if the Secretary, after consultation (and the sharing of any plan or amendment thereto submitted under this clause) with the Secretary of Health and

Human Services and the Secretary of Housing and Urban Development, determines that the State meets the following requirements:

"(I) The State has submitted to the Secretary (in the form of an addendum to the State plan submitted under section 402) a plan which—

"(aa) describes how, consistent with this subparagraph, the State will use any funds provided under this subparagraph during the fiscal year;

"(bb) specifies the formula to be used pursuant to clause (vi) to distribute funds in the State, and describes the process by which the formula was developed; and

"(cc) contains evidence that the plan was developed in consultation and coordination with sub-State areas.

"(II) The State has provided the Secretary with an estimate of the

amount that the State intends to expend during the fiscal year (excluding expenditures described in section 409(a)(7)(B)(iv)) for activities described in subparagraph (C)(i) of this paragraph.

"(III) The State has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance of any evaluation under section 413(j), and to cooperate with the conduct of any such evaluation.

"(IV) The State is an eligible State for the fiscal year.

"(V) Qualified State expenditures (within the meaning of section 409(a)(7)) are at least 80 percent of historic State expenditures (within the meaning of such section), with respect to the fiscal year or the immediately preceding fiscal year.

"(iii) ALLOTMENTS TO WELFARE-TO-WORK STATES.—The allotment of a welfare-to-work State for a fiscal year shall be

the available amount for the fiscal year multiplied by the State percentage for the fiscal year.

"(iv) AVAILABLE AMOUNT.—As used in this subparagraph, the term 'available amount' means, for a fiscal year, the sum of—

"(I) 50 percent of the sum of—

"(aa) the amount specified in subparagraph (H) for the fiscal year, minus the total of the amounts reserved pursuant to subparagraphs (F) and (G) for the fiscal year; and

"(bb) any amount reserved pursuant to subparagraph (F) for the immediately preceding fiscal year that has not been obligated; and

"(II) any available amount for the immediately preceding fiscal year that has not been obligated by a State or sub-State entity.

"(v) STATE PERCENTAGE.—As used in clause (iii), the term 'State

percentage' means, with respect to a fiscal year, ⅓ of the sum of—

"(aa) the percentage represented by the number of individuals in the State whose income is less than the poverty line divided by the number of such individuals in the United States;

"(bb) the percentage represented by the number of unemployed individuals in the State divided by the number of such individuals in the United States; and

"(cc) the percentage represented by the number of individuals who are adult recipients of assistance under the State program funded under this part divided by the number of individuals in the United States who are adult recipients of assistance under any State program funded under this part.

"(vi) DISTRIBUTION OF FUNDS WITHIN STATES.—

"(I) IN GENERAL.—A State to which a grant is made under this subparagraph shall distribute not less than 85 percent of the grant funds among the service delivery areas in the State, in accordance with a formula which—

"(aa) determines the amount to be distributed for the benefit of a service delivery area in proportion to the number (if any) by which the number of individuals residing in the service delivery area with an income that is less than the poverty line exceeds 5 percent of the population of the service delivery area, relative to such number for the other service delivery areas in the State, and accords a weight of not less than 50 percent to this factor;

"(bb) may determine the amount to be distributed for the benefit of a service delivery area

in proportion to the number of adults residing in the service delivery area who are recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act first applied to the State) for at least 30 months (whether or not consecutive) relative to the number of such adults residing in the other service delivery areas in the State; and

"(cc) may determine the amount to be distributed for the benefit of a service delivery area in proportion to the number of unemployed individuals residing in the service delivery area relative to the number of such individuals residing in the other service delivery areas in the State.

"(II) SPECIAL RULE.—Notwithstanding subclause (I), if the formula used pursuant to subclause (I) would result in the distribution of less than $100,000 during a fiscal year for the benefit of a service delivery area, then in lieu of distributing such sum in accordance with the formula, such sum shall be available for distribution under subclause (III) during the fiscal year.

"(III) PROJECTS TO HELP LONG-TERM RECIPIENTS OF ASSISTANCE INTO THE WORK FORCE.—The Governor of a State to which a grant is made under this subparagraph may distribute not more than 15 percent of the grant funds (plus any amount required to be distributed under this subclause by reason of subclause (II)) to projects that appear likely to help long-term recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by

section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act first applied to the State) enter the work force.

"(vii) ADMINISTRATION.—

"(I) IN GENERAL.—A grant made under this subparagraph to a State shall be administered by the State agency that is administering, or supervising the administration of, the State program funded under this part, or by another State agency designated by the Governor of the State.

"(II) SPENDING BY PRIVATE INDUSTRY COUNCILS.—The private industry council for a service delivery area shall have sole authority to expend the amounts provided for the benefit of a service delivery area under subparagraph (vi)(I), after consultation with the agency that is administering the State program funded under this part in the service delivery area.

"(B) COMPETITIVE GRANTS.—

"(i) IN GENERAL.—The Secretary, in consultation with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, shall make grants in accordance with this subparagraph, in fiscal years 1998 and 2000, to eligible applicants based on the likelihood that the applicant can successfully make long-term placements of individuals into the work force.

"(ii) ELIGIBLE APPLICANTS.—As used in clause (i), the term 'eligible applicant' means a private industry council or a political subdivision of a State.

"(iii) DETERMINATION OF GRANT AMOUNT.—In determining the amount of a grant to be made under this subparagraph for a project proposed by an applicant, the Secretary shall provide the applicant with an amount sufficient to ensure that the project has a reasonable opportunity to be successful, taking into account the number of long-term recipients of assistance under a State program funded under this part, the level of unemployment, the job oppor-

tunities and job growth, the poverty rate, and such other factors as the Secretary deems appropriate, in the area to be served by the project.

"(iv) TARGETING OF FUNDS TO CERTAIN AREAS.—

"(I) CITIES WITH GREATEST NUMBER OF PERSONS WITH INCOME LESS THAN THE POVERTY LINE.—The Secretary shall use not less than 65 percent of the funds available for grants under this subparagraph for a fiscal year to make grants to cities that are among the 100 cities in the United States with the highest number of residents with an income that is less than the poverty line.

"(II) RURAL AREAS.—

"(aa) IN GENERAL.—The Secretary shall use not less than 25 percent of the funds available for grants under this subparagraph for a fiscal year to make grants to rural areas.

"(bb) RURAL AREA DEFINED.—As used in item (aa), the term 'rural area' means a city, town, or unincorporated area that has a population of 50,000 or fewer inhabitants and that is not an urbanized area immediately adjacent to a city, town, or unincorporated area that has a population of more than 50,000 inhabitants.

"(v) FUNDING.—For grants under this subparagraph for each fiscal year specified in subparagraph (H), there shall be available to the Secretary an amount equal to the sum of—

"(I) 50 percent of the sum of—

"(aa) the amount specified in subparagraph (H) for the fiscal year, minus the total of the amounts reserved pursuant to subparagraphs (F) and (G) for the fiscal year; and

"(bb) any amount reserved pursuant to subparagraph (F)

for the immediately preceding fiscal year that has not been obligated; and

"(II) any amount available for grants under this subparagraph for the immediately preceding fiscal year that has not been obligated.

"(C) LIMITATIONS ON USE OF FUNDS.—

"(i) ALLOWABLE ACTIVITIES.—An entity to which funds are provided under this paragraph may use the funds to move into the work force recipients of assistance under the program funded under this part of the State in which the entity is located, by means of any of the following:

"(I) Job creation through public or private sector employment wage subsidies.

"(II) On-the-job training.

"(III) Contracts with public or private providers of readiness, placement, and post-employment services.

"(IV) Job vouchers.

"(V) Job support services if such services are not otherwise available.

"(ii) REQUIRED BENEFICIARIES.—An entity that operates a project with funds provided under this paragraph shall expend at least 90 percent of all funds provided to the project for the benefit of recipients of assistance under the program funded under this part of the State in which the entity is located who meet the requirements of any of the following subclauses:

"(I) The individual has received assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first apply to the State) for at least 30 months (whether or not consecutive).

"(II) At least 2 of the following apply to the recipient:

"(aa) The individual has not completed secondary school or obtained a certificate of general equivalency, and has low skills in reading and mathematics.

"(bb) The individual requires substance abuse treatment for employment.

"(cc) The individual has a poor work history.

The Secretary shall prescribe such regulations as may be necessary to interpret this subclause.

"(III) Within 12 months, the individual will become ineligible for assistance under the State program funded under this part by reason of a durational limit on such assistance, without regard to any exemption provided pursuant to section 408(a)(7)(C) that may apply to the individual.

"(iii) LIMITATION ON APPLICABILITY OF SECTION 404.—The rules of section 404, other than subsections (b), (f), and (h) of section 404, shall not apply to a grant made under this paragraph.

"(iv) PROHIBITION AGAINST PROVISION OF SERVICES BY PRIVATE INDUSTRY COUNCIL.—A private industry council may

not directly provide services using funds provided under this paragraph.

"(v) PROHIBITION AGAINST USE OF GRANT FUNDS FOR ANY OTHER FUND MATCHING REQUIREMENT.—An entity to which funds are provided under this paragraph shall not use any part of the funds to fulfill any obligation of any State, political subdivision, or private industry council to contribute funds under other Federal law.

"(vi) DEADLINE FOR EXPENDITURE.—An entity to which funds are provided under this paragraph shall remit to the Secretary any part of the funds that are not expended within 3 years after the date the funds are so provided.

"(D) INDIVIDUALS WITH INCOME LESS THAN THE POVERTY LINE.—For purposes of this paragraph, the number of individuals with an income that is less than the poverty line shall be determined based on the methodology used by the Bureau of the Census to produce and publish intercensal poverty data for 1993 for States and counties.

"(E) DEFINITIONS.—As used in this paragraph:

"(i) PRIVATE INDUSTRY COUNCIL.—The term 'private industry council' means, with respect to a service delivery area, the private industry council (or successor entity) established for the service delivery area pursuant to the Job Training Partnership Act.

"(ii) SECRETARY.—The term 'Secretary' means the Secretary of Labor, except as otherwise expressly provided.

"(iii) SERVICE DELIVERY AREA.—The term 'service delivery area' shall have the meaning given such term for purposes of the Job Training Partnership Act.

"(F) SET-ASIDE FOR INDIAN TRIBES.—1 percent of the amount specified in subparagraph (H) for each fiscal year shall be reserved for grants to Indian tribes under section 412(a)(3).

"(G) SET-ASIDE FOR EVALUATIONS.—0.5 percent of the amount specified in subparagraph (H) for each fiscal year shall be reserved

for use by the Secretary of Health and Human Services to carry out section 413(j).

"(H) FUNDING.—To carry out this paragraph, there are authorized to be appropriated—

"(i) $750,000,000 for fiscal year 1998;

"(ii) $1,250,000,000 for fiscal year 1999; and

"(iii) $1,000,000,000 for fiscal year 2000.

"(I) BUDGET SCORING.—Notwithstanding section 457(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph or under section 412(a)(3) after fiscal year 2000.".

(b) GRANTS TO OUTLYING AREAS.—Section 1108(a) of such Act (42 U.S.C. 1308(a)) is amended by inserting "(except section 403(a)(5))" after "title IV".

(c) GRANTS TO INDIAN TRIBES.—Section 412(a) of such Act (42 U.S.C. 612(a)) is amended by adding at the end the following:

"(3) WELFARE-TO-WORK GRANTS.—

"(A) IN GENERAL.—The Secretary shall make a grant in accordance with this paragraph to an Indian tribe for each fiscal year specified in section 403(a)(5)(H) for which the Indian tribe is a welfare-to-work tribe, in such amount as the Secretary deems appropriate, subject to subparagraph (B) of this paragraph.

"(B) WELFARE-TO-WORK TRIBE.—An Indian tribe shall be considered a welfare-to-work tribe for a fiscal year for purposes of this paragraph if the Indian tribe meets the following requirements:

"(i) The Indian tribe has submitted to the Secretary (in the form of an addendum to the tribal family assistance plan, if any, of the Indian tribe) a plan which describes how, consistent with section 403(a)(5), the Indian tribe will use any funds provided under this paragraph during the fiscal year.

"(ii) The Indian tribe has provided the Secretary with an estimate of the amount that the Indian tribe intends to expend during the fiscal year (excluding tribal expenditures described in section

409(a)(7)(B)(iv)) for activities described in section 403(a)(5)(C)(i).

"(iii) The Indian tribe has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance of any evaluation under section 413(j), and to cooperate with the conduct of any such evaluation.

"(C) LIMITATIONS ON USE OF FUNDS.—Section 403(a)(5)(C) shall apply to funds provided to Indian tribes under this paragraph in the same manner in which such section applies to funds provided under section 403(a)(5).".

(d) FUNDS RECEIVED FROM GRANTS TO BE DISREGARDED IN APPLYING DURATIONAL LIMIT ON ASSISTANCE.—Section 408(a)(7) of such Act (42 U.S.C. 608(a)(7)) is amended by adding at the end the following:

"(G) INAPPLICABILITY TO WELFARE-TO-WORK GRANTS AND ASSISTANCE.—For purposes of subparagraph (A) of this paragraph, a grant made under section 403(a)(5) shall not be considered a grant made under section 403, and assistance from funds provided under section 403(a)(5) shall not be considered assistance.

(e) EVALUATIONS.—Section 413 of such Act (42 U.S.C. 613) is amended by adding at the end the following:

"(j) EVALUATION OF WELFARE-TO-WORK PROGRAMS.—The Secretary—

"(1) shall, in consultation with the Secretary of Labor, develop a plan to evaluate how grants made under sections 403(a)(5) and 412(a)(3) have been used; and

"(2) may evaluate the use of such grants by such grantees as the Secretary deems appropriate, in accordance with an agreement entered into with the grantees after good-faith negotiations.".

**SEC. 9002. LIMITATION ON AMOUNT OF FEDERAL FUNDS TRANSFERABLE TO TITLE XX PROGRAMS.**

(a) IN GENERAL.—Section 404(d) of the Social Security Act (42 U.S.C. 604(d)) is amended—

(1) in paragraph (1), by striking "A State may" and inserting "Subject to paragraph (2), a State may"; and

(2) by amending paragraph (2) to read as follows:

"(2) LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—A State may use not more than 10 percent of the amount of any grant

made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.".

(b) RETROACTIVITY.—The amendments made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**SEC. 9003. CLARIFICATION OF LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.**

(a) IN GENERAL.—Section 407(c)(2)(D) of the Social Security Act (42 U.S.C. 607(c)(2)(D)) is amended to read as follows:

"(D) LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), not more than 30 percent of the number of individuals in all families and in 2-parent families, respectively, in a State who are treated as engaged in work for a month may consist of in-

dividuals who are determined to be engaged in work for the month by reason of participation in vocational educational training, or deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**SEC. 9004. REQUIRED HOURS OF WORK.**

(a) IN GENERAL.—Section 407 of the Social Security Act (42 U.S.C. 607) is amended by adding at the end the following:

"(j) LIMITATION ON NUMBER OF HOURS PER MONTH THAT A RECIPIENT OF ASSISTANCE MAY BE REQUIRED TO WORK FOR A PUBLIC AGENCY OR NONPROFIT ORGANIZATION.—

"(1) IN GENERAL.—A State to which a grant is made under section 403 may not require a recipient of assistance under the State program funded under this part to be assigned to a work experience, on-the-job training, or community service position with a public agency or nonprofit organization during a month for more than the allowable number of

hours determined for the month under paragraph (2).

"(2) ALLOWABLE NUMBER OF HOURS.—

"(A) IN GENERAL.—Subject to subparagraph (B), the allowable number of hours determined for a month under this paragraph is—

"(i) the value of the includible benefits provided by the State to the recipient during the month; divided by

"(ii) the minimum wage rate in effect during the month under section 6 of the Fair Labor Standards Act of 1938.

"(B) STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES.—

"(i) IN GENERAL.—In determining the allowable number of hours for a month for a sufficiently employed recipient, the State may subtract from the allowable number of hours calculated under subparagraph (A) the number of hours during the month for which the recipient participates in a work activity described in paragraph (6), (8), (9), or (11) of subsection (d).

"(ii) SUFFICIENTLY EMPLOYED RECIPIENT.—As used in clause (i), the term

'sufficiently employed recipient' means, with respect to a month, a recipient who is employed during the month for a number of hours that is not less than—

"(I) the sum of the dollar value of any assistance provided to the recipient during the month under the State program funded under this part, and the dollar value equivalent of any benefits provided to the recipient during the month under the food stamp program under the Food Stamp Act of 1977; divided by

"(II) the minimum wage rate in effect during the month under section 6 of the Fair Labor Standards Act of 1938.

"(3) DEFINITION OF VALUE OF THE INCLUDIBLE BENEFITS.—As used in paragraph (2)(A), the term 'value of the includible benefits' means, with respect to a recipient—

"(A) the dollar value of any assistance under the State program funded under this part;

"(B) the dollar value equivalent of any benefits under the food stamp program under the Food Stamp Act of 1977;

"(C) at the option of the State, the dollar value of benefits under the State plan approved under title XIX, as determined in accordance with paragraph (4);

"(D) at the option of the State, the dollar value of child care assistance; and

"(E) at the option of the State, the dollar value of housing benefits.

"(4) VALUATION OF MEDICAID BENEFITS.—Annually, the Secretary shall publish a table that specifies the dollar value of the insurance coverage provided under title XIX to a family of each size, which may take account of geographical variations or other factors identified by the Secretary.

"(5) TREATMENT OF RECIPIENTS ASSIGNED TO CERTAIN POSITIONS WITH A PUBLIC AGENCY OR NONPROFIT ORGANIZATION.—A recipient of assistance under a State program funded under this part who is engaged in work experience or community service with a public agency or nonprofit organization shall not be considered an employee of the public agency or the nonprofit organization.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**SEC. 9005. PENALTY FOR FAILURE OF STATE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK.**

(a) IN GENERAL.—Section 409(a) of the Social Security Act (42 U.S.C. 609(a)) is amended by adding at the end the following:

"(13) PENALTY FOR FAILURE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 in a fiscal year has violated section 407(e) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not less than 1 percent and not more than 5 percent of the State family assistance grant.

"(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of noncompliance.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

## Subtitle B—Supplemental Security Income

### SEC. 9101. REQUIREMENT TO PERFORM CHILDHOOD DISABILITY REDETERMINATIONS IN MISSED CASES.

Section 211(d)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (110 Stat. 2190) is amended—

(1) in subparagraph (A)—

(A) in the 1st sentence, by striking "1 year" and inserting "18 months"; and

(B) by inserting after the 1st sentence the following: "Any redetermination required by the preceding sentence that is not performed before the end of the period described in the preceding

sentence shall be performed as soon as is practicable thereafter."; and

(2) in subparagraph (C), by adding at the end the following: "Before commencing a redetermination under the 2nd sentence of subparagraph (A), in any case in which the individual involved has not already been notified of the provisions of this paragraph, the Commissioner of Social Security shall notify the individual involved of the provisions of this paragraph.".

**SEC. 9102. REPEAL OF MAINTENANCE OF EFFORT REQUIREMENTS APPLICABLE TO OPTIONAL STATE PROGRAMS FOR SUPPLEMENTATION OF SSI BENEFITS.**

Section 1618 of the Social Security Act (42 U.S.C. 1382g) is repealed.

**SEC. 9103. FEES FOR FEDERAL ADMINISTRATION OF STATE SUPPLEMENTARY PAYMENTS.**

(a) FEE SCHEDULE.—

(1) OPTIONAL STATE SUPPLEMENTARY PAYMENTS.—

(A) IN GENERAL.—Section 1616(d)(2)(B) of the Social Security Act (42 U.S.C. 1382e(d)(2)(B)) is amended—

(i) by striking "and" at the end of clause (iii); and

(ii) by striking clause (iv) and inserting the following:

"(iv) for fiscal year 1997, $5.00;

"(v) for fiscal year 1998, $6.20;

"(vi) for fiscal year 1999, $7.60;

"(vii) for fiscal year 2000, $7.80;

"(viii) for fiscal year 2001, $8.10;

"(ix) for fiscal year 2002, $8.50; and

"(x) for fiscal year 2003 and each succeeding fiscal year—

"(I) the applicable rate in the preceding fiscal year, increased by the percentage, if any, by which the Consumer Price Index for the month of June of the calendar year of the increase exceeds the Consumer Price Index for the month of June of the calendar year preceding the calendar year of the increase, and rounded to the nearest whole cent; or

"(II) such different rate as the Commissioner determines is appropriate for the State.".

(B) CONFORMING AMENDMENT.—Section 1616(d)(2)(C) of such Act (42 U.S.C.

1382e(d)(2)(C)) is amended by striking "(B)(iv)" and inserting "(B)(x)(II)".

(2) MANDATORY STATE SUPPLEMENTARY PAYMENTS.—

(A) IN GENERAL.—Section 212(b)(3)(B)(ii) of Public Law 93–66 (42 U.S.C. 1382 note) is amended—

(i) by striking "and" at the end of subclause (III); and

(ii) by striking subclause (IV) and inserting the following:

"(IV) for fiscal year 1997, $5.00;

"(V) for fiscal year 1998, $6.20;

"(VI) for fiscal year 1999, $7.60;

"(VII) for fiscal year 2000, $7.80;

"(VIII) for fiscal year 2001. $8.10;

"(IX) for fiscal year 2002, $8.50; and

"(X) for fiscal year 2003 and each succeeding fiscal year—

"(aa) the applicable rate in the preceding fiscal year, increased by the percentage, if any, by which the Consumer Price Index for the month of June of the calendar year of the increase exceeds the Consumer Price Index for the month of June of the calendar year preced-

ing the calendar year of the increase, and rounded to the nearest whole cent; or

"(bb) such different rate as the Commissioner determines is appropriate for the State.".

(B) CONFORMING AMENDMENT.—Section 212(b)(3)(B)(iii) of such Act (42 U.S.C. 1382 note) is amended by striking "(ii)(IV)" and inserting "(ii)(X)(bb)".

(b) USE OF NEW FEES TO DEFRAY THE SOCIAL SECURITY ADMINISTRATION'S ADMINISTRATIVE EXPENSES.—

(1) CREDIT TO SPECIAL FUND FOR FISCAL YEAR 1998 AND SUBSEQUENT YEARS.—

(A) OPTIONAL STATE SUPPLEMENTARY PAYMENT FEES.—Section 1616(d)(4) of the Social Security Act (42 U.S.C. 1382e(d)(4)) is amended to read as follows:

"(4)(A) The first $5 of each administration fee assessed pursuant to paragraph (2), upon collection, shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts.

"(B) That portion of each administration fee in excess of $5, and 100 percent of each additional services fee charged pursuant to paragraph (3), upon collection for fiscal year 1998 and each subsequent fiscal year, shall be

credited to a special fund established in the Treasury of the United States for State supplementary payment fees. The amounts so credited, to the extent and in the amounts provided in advance in appropriations Acts, shall be available to defray expenses incurred in carrying out this title and related laws.".

(B) MANDATORY STATE SUPPLEMENTARY PAYMENT FEES.—Section 212(b)(3)(D) of Public Law 93–66 (42 U.S.C. 1382 note) is amended to read as follows:

"(D)(i) The first $5 of each administration fee assessed pursuant to subparagraph (B), upon collection, shall be deposited in the general fund of the Treasury of the United States as miscellaneous receipts.

"(ii) The portion of each administration fee in excess of $5. and 100 percent of each additional services fee charged pursuant to subparagraph (C), upon collection for fiscal year 1998 and each subsequent fiscal year, shall be credited to a special fund established in the Treasury of the United States for State supplementary payment fees. The amounts so credited. to the extent and in the amounts provided in advance in appropriations Acts, shall be available to defray expenses incurred in carrying out this section and title XVI of the Social Security Act and related laws.".

(2) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—From amounts credited pursuant to section 1616(d)(4)(B) of the Social Security Act and section 212(b)(3)(D)(ii) of Public Law 93–66 to the special fund established in the Treasury of the United States for State supplementary payment fees, there is authorized to be appropriated an amount not to exceed $35,000,000 for fiscal year 1998, and such sums as may be necessary for each fiscal year thereafter.

## Subtitle C—Child Support Enforcement

### SEC. 9201. CLARIFICATION OF AUTHORITY TO PERMIT CERTAIN REDISCLOSURES OF WAGE AND CLAIM INFORMATION.

Section 303(h)(1)(C) of the Social Security Act (42 U.S.C. 503(h)(1)(C)) is amended by striking "section 453(i)(1) in carrying out the child support enforcement program under title IV" and inserting "subsections (i)(1), (i)(3), and (j) of section 453".

# Subtitle D—Restricting Welfare and Public Benefits for Aliens

**SEC. 9301. EXTENSION OF ELIGIBILITY PERIOD FOR REFUGEES FROM 5 TO 7 YEARS FOR SSI, TANF, AND OTHER BENEFITS.**

(a) SSI AND OTHER BENEFITS.—Section 402(a)(2)(A) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)(A)) is amended—

(1) by striking "5 years after the date";

(2) in clause (i) by inserting "7 years after the date" after "(i)"; and

(3) in clauses (ii) and (iii) by inserting "5 years after the date" before "an".

(b) TANF AND OTHER BENEFITS.—Section 402(b)(2)(A)(i) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(b)(2)(A)(i)) is amended by striking "5 years" and inserting "7 years".

**SEC. 9302. SSI ELIGIBILITY FOR ALIENS RECEIVING SSI ON AUGUST 22, 1996.**

(a) IN GENERAL.—Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended by adding after subparagraph (D) the following new subparagraph:

"(E) ALIENS RECEIVING SSI ON AUGUST 22, 1996.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply to an alien—

"(i) who was receiving such benefits on August 22, 1996; and

"(ii)(I) on whose behalf an affidavit of support was not executed for purposes of the Immigration and Nationality Act; or

"(II) on whose behalf an individual executed an affidavit of support but the individual is deceased or the individual's income is less than $40,000 (which shall be adjusted annually to reflect changes in the consumer price index).".

(b) CONFORMING AMENDMENTS.—Section 402(a)(2)(D) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(D)) is amended—

(1) by striking clause (i);

(2) in the subparagraph heading by striking "BENEFITS" and inserting "FOOD STAMPS";

(3) by striking "(ii) FOOD STAMPS";

(3) by redesignating subclauses (I), (II), and (III) as clauses (i), (ii), and (iii).

**SEC. 9303. SSI ELIGIBILITY FOR PERMANENT RESIDENT ALIENS WHO ARE MEMBERS OF AN INDIAN TRIBE.**

Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) (as amended by section 9302) is amended by adding after subparagraph (E) the following new subparagraph:

"(F) PERMANENT RESIDENT ALIENS WHO ARE MEMBERS OF AN INDIAN TRIBE.—With respect to eligibility for benefits for the program defined in paragraph (3)(A) (relating to the supplemental security income program), paragraph (1) shall not apply to an alien who—

"(i) is lawfully admitted for permanent residence under the Immigration and Nationality Act; and

"(ii) is a member of an Indian tribe (as defined in section 4(e) of the Indian Self-Determination and Education Assistance Act).".

**SEC. 9304. VERIFICATION OF ELIGIBILITY FOR STATE AND LOCAL PUBLIC BENEFITS.**

(a) IN GENERAL.—The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is amended by adding after section 412 the following new section:

**"SEC. 413. AUTHORIZATION FOR VERIFICATION OF ELIGIBILITY FOR STATE AND LOCAL PUBLIC BENEFITS.**

"A State or political subdivision of a State is authorized to require an applicant for State and local public benefits (as defined in section 411(c)) to provide proof of eligibility.".

(b) CLERICAL AMENDMENT.—Section 2 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 is amended by adding after the item related to section 412 the following:

"Sec. 413. Authorization for verification of eligibility for state and local public benefits.".

# Subtitle E—Unemployment Compensation

**SEC. 9401. CLARIFYING PROVISION RELATING TO BASE PERIODS.**

(a) IN GENERAL.—No provision of a State law under which the base period for such State is defined or otherwise determined shall, for purposes of section 303(a)(1)

of the Social Security Act (42 U.S.C. 503(a)(1)), be considered a provision for a method of administration.

(b) DEFINITIONS.—For purposes of this section, the terms "State law", "base period", and "State" shall have the meanings given them under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

(c) EFFECTIVE DATE.—This section shall apply for purposes of any period beginning before, on, or after the date of the enactment of this Act.

**SEC. 9402. INCREASE IN FEDERAL UNEMPLOYMENT ACCOUNT CEILING.**

Section 902(a)(2) of the Social Security Act (42 U.S.C. 1102(a)(2)) is amended by striking "0.25 percent" and inserting "0.5 percent".

**SEC. 9403. SPECIAL DISTRIBUTION TO STATES FROM UNEMPLOYMENT TRUST FUND.**

(a) IN GENERAL.—Section 903 of the Social Security Act (42 U.S.C. 1103) is amended by adding after subsection (c) the following new subsection:

"(d)(1) For the purpose described in paragraph (3), there are authorized to be appropriated, from amounts otherwise available in the employment security administration account, the Federal unemployment account, or the extended unemployment compensation account,

$100,000,000 for each of fiscal years 2000, 2001, and 2002.

"(2) Any amount appropriated pursuant to this subsection for a fiscal year shall be allocated among the States in accordance with the same formula as is used to allocate funds among the States for administration of State unemployment compensation laws under title III for such fiscal year.

"(3) The amount allocated to a State under this subsection for any fiscal year shall be transferred to the account of such State in the Unemployment Trust Fund, to be used for expenses incurred by the State for administration of its unemployment compensation law.

"(4) Transfers under this subsection for any fiscal year shall be made at the beginning of such fiscal year, but only after all transfers required to be made at the beginning of such fiscal year have been made under section 901(f)(3)(B), section 902(a), and subsection (a).

"(5) Subsection (b) shall apply with respect to amounts under this subsection in the same manner as it applies with respect to amounts under subsection (a)."

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (B) of section 3304(a)(4) of the Internal Revenue Code of 1986 is amended—

(A) by striking "(B)" and inserting "(B)(i)",

(B) by adding "and" after the semicolon, and

(C) by adding at the end the following new clause:

"(ii) the amounts specified by section 903(d) of the Social Security Act may be used for expenses incurred by the State for administration of its unemployment compensation law;".

(2) Paragraph (2) of section 3306(f) of such Code is amended—

(A) by striking "(2)" and inserting "(2)(A)",

(B) by adding "and" after the semicolon, and

(C) by adding at the end the following new subparagraph:

"(B) the amounts specified by section 903(d) of the Social Security Act may be used for expenses incurred by the State for administration of its unemployment compensation law;".

(3) Section 303(a)(5) of the Social Security Act (42 U.S.C. 503(a)(5)) is amended by inserting after

the second proviso the following: "*Provided further*, That the amounts specified by section 903(d) of the Social Security Act may be used for expenses incurred by the State for administration of its unemployment compensation law;".

**SEC. 9404. INTEREST-FREE ADVANCES TO STATE ACCOUNTS IN UNEMPLOYMENT TRUST FUND RESTRICTED TO STATES WHICH MEET FUNDING GOALS.**

(a) IN GENERAL.—Paragraph (2) of section 1202(b) of the Social Security Act (42 U.S.C. 1322(b)) is amended—

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

(2) by striking the period at the end of subparagraph (B) and inserting ", and", and

(3) by adding at the end the following new subparagraph:

"(C) the average daily balance in the account of such State in the Unemployment Trust Fund for each of 4 of the 5 calendar quarters preceding the calendar quarter in which such advances were made exceeds the funding goal of such State (as defined in subsection (d))."

(b) FUNDING GOAL DEFINED.—Section 1202 of the Social Security Act is amended by adding at the end the following new subsection:

"(d) For purposes of subsection (b)(2)(C), the term 'funding goal' means, for any State for any calendar quarter, the average of the unemployment insurance benefits paid by such State during each of the 3 years, in the 20-year period ending with the calendar year containing such calendar quarter, during which the State paid the greatest amount of unemployment benefits."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 1997.

**SEC. 9405. EXEMPTION OF SERVICE PERFORMED BY ELECTION WORKERS FROM THE FEDERAL UNEMPLOYMENT TAX.**

(a) IN GENERAL.—Paragraph (3) of section 3309(b) of the Internal Revenue Code of 1986 (relating to exemption for certain services) is amended—

(1) by striking "or" at the end of subparagraph (D),

(2) by adding "or" at the end of subparagraph (E), and

(3) by inserting after subparagraph (E) the following new subparagraph:

"(F) as an election official or election worker if the amount of remuneration received by the individual during the calendar year for services as an election official or election worker is less than $1,000;".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to service performed after the date of the enactment of this Act.

**SEC. 9406. TREATMENT OF CERTAIN SERVICES PERFORMED BY INMATES.**

(a) IN GENERAL.—Subsection (c) of section 3306 of the Internal Revenue Code of 1986 (defining employment) is amended—

(1) by striking "or" at the end of paragraph (19),

(2) by striking the period at the end of paragraph (20) and inserting "; or", and

(3) by adding at the end the following new paragraph:

"(21) service performed by a person committed to a penal institution."

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to service performed after the date of the enactment of this Act.

**SEC. 9407. EXEMPTION OF SERVICE PERFORMED FOR AN ELEMENTARY OR SECONDARY SCHOOL OPERATED PRIMARILY FOR RELIGIOUS PURPOSES FROM THE FEDERAL UNEMPLOYMENT TAX.**

(a) IN GENERAL.—Paragraph (1) of section 3309(b) of the Internal Revenue Code of 1986 (relating to exemption for certain services) is amended—

(1) by striking "or" at the end of subparagraph (A), and

(2) by inserting before the semicolon at the end the following: ", or (C) an elementary or secondary school which is operated primarily for religious purposes, which is described in section 501(c)(3), and which is exempt from tax under section 501(a)".

(b) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to service performed after the date of the enactment of this Act.

F:\SAC\105HEA\RECON\97HEABUD.005 H.L.C.

Ed + Workforce Republican Mark

[COMMITTEE PRINT]

JUNE 9, 1997

[PROPOSED RECONCILIATION PROVISION]

# TITLE V—COMMITTEE ON EDUCATION AND THE WORKFORCE

## Subtitle A—TANF Block Grant

SEC. 5001. WELFARE-TO-WORK GRANTS.

(a) GRANTS TO STATES.—Section 403(a) of the Social Security Act (42 U.S.C. 603(a)) is amended by adding at the end the following:

"(5) WELFARE-TO-WORK GRANTS.—

"(A) FORMULA GRANTS.—

"(i) ENTITLEMENT.—A State shall be entitled to receive from the Secretary a grant for each fiscal year specified in subparagraph (H) of this paragraph for which the State is a welfare-to-work State, in an amount that does not exceed the lesser of—

"(I) 2 times the total of the expenditures by the State (excluding qualified State expenditures (as defined in section 409(a)(7)(B)(i)) and

expenditures described in section 409(a)(7)(B)(iv)) during the fiscal year for activities described in subparagraph (C)(i) of this paragraph; or

"(II) the allotment of the State under clause (iii) of this subparagraph for the fiscal year.

"(ii) WELFARE-TO-WORK STATE.—A State shall be considered a welfare-to-work State for a fiscal year for purposes of this subparagraph if the Secretary, after consultation (and the sharing of any plan or amendment thereto submitted under this clause) with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, determines that the State meets the following requirements:

"(I) The State has submitted to the Secretary (in the form of an addendum to the State plan submitted under section 402) a plan which—

"(aa) describes how, consistent with this subparagraph, the State will use any funds provided

under this subparagraph during the fiscal year;

"(bb) specifies the formula to be used pursuant to clause (vi) to distribute funds in the State, and describes the process by which the formula was developed; and

"(cc) contains evidence that the plan was developed through a collaborative process that, at a minimum, included sub-State areas.

"(II) The State has provided the Secretary with an estimate of the amount that the State intends to expend during the fiscal year (excluding expenditures described in section 409(a)(7)(B)(iv)) for activities described in subparagraph (C)(i) of this paragraph.

"(III) The State has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance of any

evaluation under section 413(j), and to cooperate with the conduct of any such evaluation.

"(IV) The State is an eligible State for the fiscal year.

"(iii) ALLOTMENTS TO WELFARE-TO-WORK STATES.—The allotment of a welfare-to-work State for a fiscal year shall be the available amount for the fiscal year multiplied by the State percentage for the fiscal year.

"(iv) AVAILABLE AMOUNT.—As used in clause (iii), the term 'available amount' means, for a fiscal year, 95 percent of—

"(I) the amount specified in subparagraph (H) for the fiscal year; minus

"(II) the total of the amounts reserved pursuant to subparagraphs (F) and (G) for the fiscal year.

"(v) STATE PERCENTAGE.—As used in clause (iii), the term 'State percentage' means, with respect to a fiscal year, ½ of the sum of—

"(aa) the percentage represented by the number of individuals in the State whose income is less than the poverty line divided by the number of such individuals in the United States; and

"(bb) the percentage represented by the number of individuals who are adult recipients of assistance under the State program funded under this part divided by the number of individuals in the United States who are adult recipients of assistance under any State program funded under this part.

"(vi) DISTRIBUTION OF FUNDS WITHIN STATES.—

"(I) IN GENERAL.—A State to which a grant is made under this subparagraph shall distribute not less than 85 percent of the grant funds among the service delivery areas in

the State, in accordance with a formula which—

"(aa) determines the amount to be distributed for the benefit of a service delivery area in proportion to the number (if any) by which the number of individuals residing in the service delivery area with an income that is less than the poverty line exceeds 5 percent of the population of the service delivery area, relative to such number for the other service delivery areas in the State, and accords a weight of not less than 50 percent to this factor;

"(bb) may determine the amount to be distributed for the benefit of a service delivery area in proportion to the number of adults residing in the service delivery area who are recipients of assistance under the State program funded under this part

(whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act first applied to the State) for at least 30 months (whether or not consecutive) relative to the number of such adults residing in the other service delivery areas in the State; and

"(cc) may determine the amount to be distributed for the benefit of a service delivery area in proportion to the number of unemployed individuals residing in the service delivery area relative to the number of such individuals residing in the other service delivery areas in the State.

"(II) SPECIAL RULE.—Notwithstanding subclause (I), if the formula used pursuant to subclause (I) would result in the distribution of less than $100,000 during a fiscal year for the

benefit of a service delivery area, then in lieu of distributing such sum in accordance with the formula, such sum shall be available for distribution under subclause (III) during the fiscal year.

"(III) PROJECTS TO HELP LONG-TERM RECIPIENTS OF ASSISTANCE INTO THE WORK FORCE.—The Governor of a State to which a grant is made under this subparagraph may distribute not more than 15 percent of the grant funds (plus any amount required to be distributed under this subclause by reason of subclause (II)) to projects that appear likely to help long-term recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act first applied to the State) enter the work force.

"(vii) ADMINISTRATION.—

"(I) IN GENERAL.—A grant made under this subparagraph to a State shall be administered by the State agency that is administering, or supervising the administration of, the State program funded under this part, or by another State agency designated by the Governor of the State.

"(II) SPENDING BY PRIVATE INDUSTRY COUNCILS.—The private industry council for a service delivery area shall have sole authority, in coordination with the chief elected official (as described in section 103(c) of the Job Training Partnership Act) of the service delivery area, to expend the amounts provided for a service delivery area under subparagraph (vi)(I).

"(B) DEMONSTRATION PROJECTS.—

"(i) IN GENERAL.—The Secretary, in consultation with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, shall make grants in accordance with this sub-

paragraph among eligible applicants based on the likelihood that the applicant can successfully make long-term placements of individuals into the work force.

"(ii) ELIGIBLE APPLICANTS.—As used in clause (i), the term 'eligible applicant' means a private industry council or a political subdivision of a State.

"(iii) DETERMINATION OF GRANT AMOUNT.—In determining the amount of a grant to be made under this subparagraph for a demonstration project proposed by an applicant, the Secretary shall provide the applicant with an amount sufficient to ensure that the project has a reasonable opportunity to be successful, taking into account the number of long-term recipients of assistance under a State program funded under this part, the level of unemployment, the job opportunities and job growth, the poverty rate, and such other factors as the Secretary deems appropriate, in the area to be served by the project.

"(iv) FUNDING.—For grants under this subparagraph for each fiscal year specified in subparagraph (H), there shall be available to the Secretary an amount equal to the sum of—

"(I) 5 percent of—

"(aa) the amount specified in subparagraph (H) for the fiscal year; minus

"(bb) the total of the amounts reserved pursuant to subparagraphs (F) and (G) for the fiscal year;

"(II) any amount available for grants under this paragraph for the immediately preceding fiscal year that has not been obligated;

"(III) any amount reserved pursuant to subparagraph (F) for the immediately preceding fiscal year that has not been obligated; and

"(IV) any available amount (as defined in subparagraph (A)(iv)) for the immediately preceding fiscal year

that has not been obligated by a State or sub-State entity.

Amounts made available pursuant to this clause are authorized to remain available until the end of fiscal year 2001.

"(C) LIMITATIONS ON USE OF FUNDS.—

"(i) ALLOWABLE ACTIVITIES.—An entity to which funds are provided under this paragraph may use the funds to move into the work force recipients of assistance under the program funded under this part of the State in which the entity is located, by means of any of the following:

"(I) Job creation through public or private sector employment wage subsidies.

"(II) On-the-job training.

"(III) Contracts with job placement companies or public job placement programs.

"(IV) Job vouchers.

"(V) Job retention or support services if such services are not otherwise available.

"(ii) REQUIRED BENEFICIARIES.—An entity that operates a project with funds provided under this paragraph shall expend at least 90 percent of all funds provided to the project for the benefit of recipients of assistance under the program funded under this part of the State in which the entity is located who meet the requirements of any of the following subclauses:

"(I) The individual has received assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first apply to the State) for at least 30 months (whether or not consecutive).

"(II) At least 2 of the following apply to the recipient:

"(aa) The individual has not completed secondary school or obtained a certificate of general equivalency, and has low skills in reading and mathematics.

"(bb) The individual requires substance abuse treatment for employment.

"(cc) The individual has a poor work history.

The Secretary shall prescribe such regulations as may be necessary to interpret this subclause.

"(III) Within 12 months, the individual will become ineligible for assistance under the State program funded under this part by reason of a durational limit on such assistance, without regard to any exemption provided pursuant to section 408(a)(7)(C) that may apply to the individual.

"(iii) LIMITATION ON APPLICABILITY OF SECTION 404.—The rules of section 404, other than subsections (b), (f), and (h) of section 404, shall not apply to a grant made under this paragraph.

"(iv) PROHIBITION AGAINST PROVISION OF SERVICES BY PRIVATE INDUSTRY COUNCIL.—A private industry council may

not directly provide services using funds provided under this paragraph.

"(v) PROHIBITION AGAINST USE OF GRANT FUNDS FOR ANY OTHER FUND MATCHING REQUIREMENT.—An entity to which funds are provided under this paragraph shall not use any part of the funds to fulfill any obligation of any State, political subdivision, or private industry council to contribute funds under other Federal law.

"(vi) DEADLINE FOR EXPENDITURE.—An entity to which funds are provided under this paragraph shall remit to the Secretary any part of the funds that are not expended within 8 years after the date the funds are so provided.

"(D) INDIVIDUALS WITH INCOME LESS THAN THE POVERTY LINE.—For purposes of this paragraph, the number of individuals with an income that is less than the poverty line shall be determined based on the methodology used by the Bureau of the Census to produce and publish intercensal poverty data for 1993 for States and counties.

"(E) DEFINITIONS.—As used in this paragraph:

"(i) PRIVATE INDUSTRY COUNCIL.—The term 'private industry council' means, with respect to a service delivery area, the private industry council (or successor entity) established for the service delivery area pursuant to the Job Training Partnership Act.

"(ii) SECRETARY.—The term 'Secretary' means the Secretary of Labor, except as otherwise expressly provided.

"(iii) SERVICE DELIVERY AREA.—The term 'service delivery area' shall have the meaning given such term for purposes of the Job Training Partnership Act (or successor area).

"(F) FUNDING FOR INDIAN TRIBES.—1 percent of the amount specified in subparagraph (H) for each fiscal year shall be reserved for grants to Indian tribes under section 412(a)(3).

"(G) EVALUATIONS.—0.5 percent of the amount specified in subparagraph (H) for each fiscal year shall be reserved for use by the Sec-

retary of Health and Human Services to carry out section 413(j).

"(H) FUNDING.—The amount specified in this subparagraph is—

"(i) $750,000,000 for fiscal year 1998;

"(ii) $1,250,000,000 for fiscal year 1999; and

"(iii) $1,000,000,000 for fiscal year 2000.

"(I) BUDGET SCORING.—Notwithstanding section 457(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph or under section 412(a)(3) after fiscal year 2001.".

(b) GRANTS TO OUTLYING AREAS.—Section 1108(a) of such Act (42 U.S.C. 1308(a)) is amended by inserting "(except section 403(a)(5))" after "title IV".

(c) GRANTS TO INDIAN TRIBES.—Section 412(a) of such Act (42 U.S.C. 612(a)) is amended by adding at the end the following:

"(3) WELFARE-TO-WORK GRANTS.—

"(A) IN GENERAL.—The Secretary shall make a grant in accordance with this paragraph

to an Indian tribe for each fiscal year specified in section 403(a)(5)(H) for which the Indian tribe is a welfare-to-work tribe, in such amount as the Secretary deems appropriate, subject to subparagraph (B) of this paragraph.

"(B) WELFARE-TO-WORK TRIBE.—An Indian tribe shall be considered a welfare-to-work tribe for a fiscal year for purposes of this paragraph if the Indian tribe meets the following requirements:

"(i) The Indian tribe has submitted to the Secretary (in the form of an addendum to the tribal family assistance plan, if any, of the Indian tribe) a plan which describes how, consistent with section 408(a)(5), the Indian tribe will use any funds provided under this paragraph during the fiscal year.

"(ii) The Indian tribe has provided the Secretary with an estimate of the amount that the Indian tribe intends to expend during the fiscal year (excluding tribal expenditures described in section 409(a)(7)(B)(iv)) for activities described in section 408(a)(5)(C)(i).

"(iii) The Indian tribe has agreed to negotiate in good faith with the Secretary of Health and Human Services with respect to the substance of any evaluation under section 413(j), and to cooperate with the conduct of any such evaluation.

"(C) LIMITATIONS ON USE OF FUNDS.—Section 403(a)(5)(C) shall apply to funds provided to Indian tribes under this paragraph in the same manner in which such section applies to funds provided under section 403(a)(5).".

(d) FUNDS RECEIVED FROM GRANTS TO BE DISREGARDED IN APPLYING DURATIONAL LIMIT ON ASSISTANCE.—Section 408(a)(7) of such Act (42 U.S.C. 608(a)(7)) is amended by adding at the end the following:

"(G) INAPPLICABILITY TO WELFARE-TO-WORK GRANTS AND ASSISTANCE.—For purposes of subparagraph (A) of this paragraph, a grant made under section 403(a)(5) shall not be considered a grant made under section 403, and assistance from funds provided under section 403(a)(5) shall not be considered assistance.

(e) EVALUATIONS.—Section 413 of such Act (42 U.S.C. 613) is amended by adding at the end the following:

"(j) EVALUATION OF WELFARE-TO-WORK PROGRAMS.—The Secretary—

"(1) shall, in consultation with the Secretary of Labor, develop a plan to evaluate how grants made under sections 403(a)(5) and 412(a)(3) have been used; and

"(2) may evaluate the use of such grants by such grantees as the Secretary deems appropriate, in accordance with an agreement entered into with the grantees after good-faith negotiations.".

**SEC. 5002. NONDISPLACEMENT.**

Section 407(f) of the Social Security Act (42 U.S.C. 607(f)) is amended to read as follows:

"(f) NONDISPLACEMENT IN WORK ACTIVITIES.—

"(1) PROHIBITIONS.—

"(A) GENERAL PROHIBITION.—A participant in a work activity pursuant to section 403(a)(5) or this section shall not displace (including a partial displacement, such as a reduction in the hours of nonovertime work, wages, or employment benefits) any individual who, as of the date of the participation, is an employee.

"(B) PROHIBITION ON IMPAIRMENT OF CONTRACTS.—A work activity shall not impair an existing contract for services or collective

bargaining agreement, and a work activity that would be inconsistent with the terms of a collective bargaining agreement shall not be undertaken without the written concurrence of the labor organization and employer concerned.

"(C) OTHER PROHIBITIONS.—A participant in a work activity shall not be employed in a job—

"(i) when any other individual is on layoff from the same or any substantially equivalent job;

"(ii) when the employer has terminated the employment of any regular employee or otherwise reduced the workforce of the employer with the intention of filling the vacancy so created with the participant; or

"(iii) which is created in a promotional line that will infringe in any way upon the promotional opportunities of employed individuals.

"(2) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working condi-

tions of participants engaged in a work activity. To the extent that a State workers' compensation law applies, workers' compensation shall be provided to participants on the same basis as the compensation is provided to other individuals in the State in similar employment.

"(3) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in section 408(c), an individual may not be discriminated against with respect to participation in work activities by reason of gender.

"(4) GRIEVANCE PROCEDURE.—

"(A) IN GENERAL.—Each State to which a grant is made under section 403 shall establish and maintain a procedure for grievances or complaints alleging violations of paragraph (1), (2), or (3) from participants and other interested or affected parties. The procedure shall include an opportunity for a hearing and be completed within 60 days after the grievance or complaint is filed.

"(B) INVESTIGATION.—

"(i) IN GENERAL.—The Secretary of Labor shall investigate an allegation of a violation of paragraph (1), (2), or (3) if—

"(I) a decision relating to the violation is not reached within 60 days after the date of the filing of the grievance or complaint, and either party appeals to the Secretary of Labor; or

"(II) a decision relating to the violation is reached within the 60-day period, and the party to which the decision is adverse appeals the decision to the Secretary of Labor.

"(ii) ADDITIONAL REQUIREMENT.—The Secretary of Labor shall make a final determination relating to an appeal made under clause (i) no later than 120 days after receiving the appeal.

"(C) REMEDIES.—Remedies for violation of paragraph (1), (2), or (3) shall be limited to—

"(i) suspension or termination of payments under section 403;

"(ii) prohibition of placement of a participant with an employer that has violated paragraph (1), (2), or (3);

"(iii) where applicable, reinstatement of an employee, payment of lost wages and benefits, and reestablishment of other relevant terms, conditions and privileges of employment; and

"(iv) where appropriate, other equitable relief.".

SEC. 5003. CLARIFICATION OF LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.

(a) IN GENERAL.—Section 407(c)(2)(D) of the Social Security Act (42 U.S.C. 607(c)(2)(D)) is amended to read as follows:

"(D) LIMITATION ON NUMBER OF PERSONS WHO MAY BE TREATED AS ENGAGED IN WORK BY REASON OF PARTICIPATION IN EDUCATIONAL ACTIVITIES.—For purposes of determining monthly participation rates under paragraphs (1)(B)(i) and (2)(B) of subsection (b), not more than 20 percent of the number of individuals in all families and in 2-parent families, respectively, in a State who are treated as engaged in work for a month may consist of individuals who are determined to be engaged in

work for the month by reason of participation in vocational educational training, or deemed to be engaged in work for the month by reason of subparagraph (C) of this paragraph.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**SEC. 5004. COMPENSATION; MAXIMUM REQUIRED HOURS OF WORK ACTIVITIES.**

(a) IN GENERAL.—Section 407 of the Social Security Act (42 U.S.C. 607) is amended by adding at the end the following:

"(j) COMPENSATION.—A State to which a grant is made under section 403 may not require a recipient of assistance under the State program funded under this part to participate in a work activity described in paragraph (1), (2), or (3) of subsection (d) unless the recipient is compensated at the same rates, including periodic increases, as trainees or employees who are similarly situated in similar occupations by the same employer and who have similar training, experience and skills, and such rates shall be in accordance with applicable law.

"(k) LIMITATION ON NUMBER OF HOURS PER MONTH THAT A RECIPIENT OF ASSISTANCE MAY BE REQUIRED TO PARTICIPATE IN ON-THE-JOB TRAINING, AND WITH A PUBLIC AGENCY OR NONPROFIT ORGANIZATION.—

"(1) IN GENERAL.—A State to which a grant is made under section 403 may not require a recipient of assistance under the State program funded under this part to be assigned to on-the-job training, and to a work experience or community service position with a public agency or nonprofit organization during a month for more than the allowable number of hours determined for the month under paragraph (2).

"(2) ALLOWABLE NUMBER OF HOURS.—

"(A) IN GENERAL.—Subject to subparagraph (B), the allowable number of hours determined for a month under this paragraph is—

"(i) the value of the includible benefits provided by the State to the recipient during the month; divided by

"(ii) the minimum wage rate in effect during the month under section 6 of the Fair Labor Standards Act of 1938.

"(B) STATE OPTION TO TAKE ACCOUNT OF CERTAIN WORK ACTIVITIES.—

"(i) IN GENERAL.—In determining the allowable number of hours for a month for a sufficiently employed recipient, the State may subtract from the allowable number of hours calculated under subparagraph (A) the number of hours during the month for which the recipient participates in a work activity described in paragraph (6), (8), (9), or (11) of subsection (d).

"(ii) SUFFICIENTLY EMPLOYED RECIPIENT.—As used in clause (i), the term 'sufficiently employed recipient' means, with respect to a month, a recipient who is employed during the month for a number of hours that is not less than—

"(I) the sum of the dollar value of any assistance provided to the recipient during the month under the State program funded under this part, and the dollar value equivalent of any benefits provided to the recipient during the month under the food stamp

program under the Food Stamp Act of 1977; divided by

"(II) the minimum wage rate in effect during the month under section 6 of the Fair Labor Standards Act of 1938.

"(3) DEFINITION OF VALUE OF THE INCLUDIBLE BENEFITS.—As used in paragraph (2)(A), the term 'value of the includible benefits' means, with respect to a recipient—

"(A) the dollar value of any assistance under the State program funded under this part;

"(B) the dollar value equivalent of any benefits under the food stamp program under the Food Stamp Act of 1977;

"(C) at the option of the State, the dollar value of benefits under the State plan approved under title XIX, as determined in accordance with paragraph (4);

"(D) at the option of the State, the dollar value of child care assistance; and

"(E) at the option of the State, the dollar value of housing benefits.

"(4) VALUATION OF MEDICAID BENEFITS.—Annually, the Secretary shall publish a table that specifies the dollar value of the insurance coverage provided under title XIX to a family of each size, which may take account of geographical variations or other factors identified by the Secretary.

"(5) TREATMENT OF RECIPIENTS ASSIGNED TO CERTAIN POSITIONS WITH A PUBLIC AGENCY OR NONPROFIT ORGANIZATION.—A recipient of assistance under a State program funded under this part who is engaged in work experience or community service with a public agency or nonprofit organization shall not be considered an employee of the public agency or the nonprofit organization.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

**SEC. 5005. PENALTY FOR FAILURE OF STATE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK.**

(a) IN GENERAL.—Section 409(a) of the Social Security Act (42 U.S.C. 609(a)) is amended by adding at the end the following:

"(13) PENALTY FOR FAILURE TO REDUCE ASSISTANCE FOR RECIPIENTS REFUSING WITHOUT GOOD CAUSE TO WORK.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 in a fiscal year has violated section 407(e) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to not less than 1 percent and not more than 5 percent of the State family assistance grant.

"(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of noncompliance.".

(b) RETROACTIVITY.—The amendment made by subsection (a) of this section shall take effect as if included in the enactment of section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

WR - WR-to-work legislation

**Cynthia A. Rice** 06/09/97 02:07:03 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: Elena Kagan/OPD/EOP, Diana Fortuna/OPD/EOP
bcc:
Subject: Re: MOE

I will check into this.

HHS has given us how much federal $ each state got in 1996 and will get in 1997 -- all but seven states got an increase -- but we do not have how much each state must spend to get the federal funds.

Keep in mind that no state would actually "have" to spend more in MOE -- it could spend less than the 75%/80% and get its TANF grant reduced dollar for dollar.
Bruce N. Reed

Bruce N. Reed
06/09/97 12:29:50 PM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP
cc: Elena Kagan/OPD/EOP
Subject: MOE

Is HHS running numbers on how much states are required to spend at 80% and 75% MOE, and whether the new program is worth their while?

It would also be interesting to know which states, because of caseload drop, will be required to spend more on MOE in 1997 than they would have if the law hadn't passed.

WR - Welfare-to-work legislation

Overview of Changes in Chairman's Mark
Made by Archer-Shaw Amendment
in the Nature of a Substitute
Committee on Ways and Means
June 10, 1997

1. Maintenance of Effort Provision (p. 3, lines 1-3; & p. 23, line 10 to p. 24, line 14). Two modifications are made to strengthen the language requiring States to use funds that are not counted for any other Federal matching requirement in order to be counted toward the 33 percent matching requirement for the welfare-to-work grant.

2. Clarification that Secretary Can Provide States with Funds Every Year while Awarding Funds Only in 1998 and 2000 (p. 11, lines 18-24; p. 23, lines 1-3 & line 8; & p. 24, line 23). Minor changes in wording are made to clarify that although new competitive grants are awarded only in 1998 and 2000, the Secretary can continue to release funds for projects in other years and the funds, once obligated, are available for 3 years.

3. Clarification of Basis for Competitive Awards (p. 12, line 3 to p. 13, line 18). Language is added clarifying the criteria to be used by the Secretary in awarding competitive grants. These criteria include the proposals' effectiveness in:

1) expanding the base of knowledge about welfare-to-work programs for the least job ready;
2) moving the least job ready recipients into the labor force; and
3) moving the least job ready recipients into the labor force even in labor markets that have a shortage of low-skill jobs.

Other factors the Secretary may, at her discretion, use to select projects include: history of success in moving individuals with multiple barriers into work; evidence of ability to leverage private, State, and local resources; use of State and local resources that exceed the required match; plans to coordinate with other organizations at the local and State level; and use of current or former welfare recipients as mentors, case managers, or service providers.

4. Clarify that All Substate Governments Can Be Awarded Grants (p. 14, lines 24-25; p. 15, line 11). The phrase "for expenditures in" is added to both lines to clarify that all substate governmental units can be awarded competitive grants.

5. Clarify Language on Job Vouchers (p. 17, lines 10-12). Add language that clarifies that job vouchers can be used for "placement, readiness, and postemployment" services.

6. Welfare-to-Work Grant Funds Cannot Be Used for Child Care (p. 17, lines 13-14). Language is added clarifying that money for "support services" cannot be used for child care.

7. More Tightly Focus Program Eligibility on the Least Job Ready Recipients (p. 17, line 16 to p. 19, line 11). This section has been rewritten to require States to spend at least 90 percent of their funds on recipients expected to have the greatest difficulty entering the labor force.

8. Increase the Authority of Local Agencies that Administer the Temporary Assistance for Needy Families (TANF) Block Grant (p. 19, line 24 to p. 20, line 15). This new section requires State organizations submitting proposals under either the State formula grants or the competitive grants to have the proposal approved by the local TANF agency. The Secretary is instructed to ensure, as a condition of approving all grants and of releasing funds during the grant period, that the local TANF agency has approved the plan and that the local TANF agency and the local Private Industry Council are working together to implement the plan. Conforming changes are made on page 11, lines 18-19.

9. Clarification of Entitlement Language (p. 22, lines 18-19). The language in the Subcommittee provision could be interpreted to imply that funds for the welfare-to-work grant program are authorizations only and fully subject to annual appropriations. The budget agreement calls for entitlement funding and other language in the Subcommittee proposal creates an entitlement. Therefore, the authorization language is removed and replaced with neutral language that refers to neither authorizations nor appropriations.

10. Additional Requirements for the HHS Evaluation (p. 26, line 21 to p. 27, line 22). The section on evaluation is expanded by recommending that the Secretary include the following outcome measures in her evaluation plan: placements in the labor force and placements that last for 6 months or more; placements in the private and public sectors; earnings of individuals who obtain employment; and average expenditures per placement.

11. Report to Congress (p. 27, line 23 to p. 28, line 16). The Secretary of HHS, in consultation with the Secretary of Labor and the Secretary of Housing and Urban Development, must report to Congress on projects funded under the welfare-to-work program and on the evaluations of these projects. The Secretary must submit an interim report on January 1, 1999 and a final report on January 1, 2001 or at a later date if the Secretary informs the Committees of jurisdiction of the reason for delay of the final report.

12. Delay in Effective Date for 30 Percent Education Limitation (p. 30, line 6). States are not required to bring teen mothers attending school under the 30 percent education limitation until fiscal year 1999.

13. Standard Table for Valuing State TANF, Food Stamp, Medicaid, Child Care, and Housing Benefits (p. 31, line 7 to p. 34, line 2). This section allows States to simplify the administrative requirements for computing the value of various welfare benefit packages by producing a table with columns representing benefits and rows representing families of various types and sizes. Each entry in the table is the average of all families of that type and size for that benefit in the State. The benefits represented in the columns of the table are, in order, TANF, Food Stamps, Medicaid, Child Care, and Housing.

14. Clarification of Hours of Work Requirement (p. 34, lines 3-14). This change clarifies that once recipients have worked for the number of hours equal to their TANF and Food Stamp benefits divided by the minimum wage, they can complete the number of hours required to

meet the work requirement for that year by engaging in job search or various educational activities (vocational education, job skills training, education directly related to employment, and school attendance or GED classes).

15. Health and Safety Standards (p. 36, line 21 to p. 37, line 4). All Federal and State health and safety laws apply to the working conditions of recipients engaged in any work activity under the TANF program. In addition, workers' compensation must be provided to participants in work programs on the same basis as it is provided to other workers in the State in similar employment.

16. Extension of Eligibility from 5 to 7 Years for Asylees and Aliens Whose Deportation Has Been Withheld (p. 45, line 3 to p. 47, line 24). The guarantees of SSI and Medicaid eligibility are extended from 5 to 7 years for these two groups (as was provided for refugees in the Subcommittee proposal).

17. Removal of Provision Restricting SSI Eligibility for Noncitizens with Sponsors Earning More Than $40,000 (p. 48, line 13). The provision restricting SSI benefits to noncitizens with sponsors with more than $40,000 in income is dropped.

18. Clarification Regarding Cuban and Haitian Entrants and Amerasian Noncitizens (p. 48 line 14 to p. 49, line 2). This provision specifies that Cuban and Haitian entrants and certain Amerasian aliens are to be considered qualified aliens for purposes of eligibility for SSI and Medicaid benefits, assuring that those who were receiving benefits on August 22, 1996 would continue to be eligible under the provisions of the Chairman's Amendment in the Nature of a Substitute.

19. Derivative Eligibility for Benefits (p. 51, line 1 to p. 52, line 2). This provision specifies that those granted SSI eligibility under the Chairman's Mark are to be eligible for Medicaid but not food stamps based on their receipt of SSI benefits.

20. Effective Dates for Noncitizens Provisions throughout Subtitle D (p. 52, lines 3-7). Each of the provisions of subtitle D is to be effective as if it had been included in the base welfare reform law (whose date of enactment was August 22, 1996).

21. Changes in Federal Unemployment Account Ceiling and Special Distribution (p. 53, line 1 to p. 55, line 15). These provisions are changed in several respects: (1) the increase in the Federal Unemployment Account ceiling from 0.25 percent to 0.50 percent of covered wages is delayed to October 1, 2001; (2) rather than authorizing $100 million in annual grants to States, the new provision limits Reed Act transfers to no more than $100 million per year; and (3) additional amounts, if any, above the $100 million limit per year are to be returned to the Federal Unemployment Account, notwithstanding account ceilings.

22. Additional FUTA Tax Provisions Regarding Election Workers, Inmates, and Employees of Certain Religious Schools (p. 57, line 1 to p. 59, line 3). Several FUTA provisions amending the Internal Revenue Code are added for full committee consideration. (See Joint Committee on

Taxation document for explanation of individual provisions.)

23. State UI Program Integrity Activities Added (p. 59, line 4 to p. 60, line 4). The Chairman's amendment adds a provision authorizing $89 million for FY 1998, $91 million for FY 1999, $93 million for FY 2000, $96 million for FY 2001, and $98 million for FY 2002 for State UI integrity activities.

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W/R - Welfare-to-work legislation

Description of Changes Made by
Chairman Shaw's Amendment in the Nature of a Substitute
June 5, 1997

1. Set-aside for Rural Areas in Welfare-to-Work Grant (Sec. 9001, p. 13). The original recommendation had set aside 75 percent of the funds under the competitive grant for allocation to cities among the 100 with the highest poverty population. The Chairman's amendment reduces the 75 percent to 65 percent and includes a 25 percent set-aside for rural areas.

2. Clarification of Allowable Activities under the Welfare-to-Work Grant (Sec. 9001, p. 15). Among other activities, the original recommendation allowed money to be spent for "contracts with job placement companies or public job placement programs". Because this provision lacked clarity, the Chairman's amendment replaces this provision with one that authorizes spending on "public or private providers of readiness, placement, and post-employment services." Because post-employment services are authorized in this new provision, they are dropped from subparagraph "(V)" on the same page.

3. Funding of Welfare-to-Work Grant (Sec. 9001, p. 19). The original recommendation used outlay figures from the budget agreement to authorize funds for the welfare-to-work grant. The Chairman's amendment replaces these figures with the correct authorization figures which have since been obtained from the Office of Management and Budget. The new figures are: $.75 billion in 1998; $1.25 billion in 1999; and $1.0 billion in 2000.

4. Adjustment to Caps for Outlying Areas (Sec. 9001, p. 20). The outlying areas (Puerto Rico, American Samoa, Guam, and the Virgin Islands) have caps on the amount of money they can receive under their block grant for various social programs including the Temporary Assistance for Needy Families block grant. Thus, language is added in the Chairman's amendment that exempts any funds provided to outlying areas under the welfare-to-work grant from counting against the caps.

5. Strike Unnecessary Language from Hours of Work Provision (Sec. 9001, p. 26). The unnecessary sentence "Nothing in this paragraph shall be construed to affect the employment status of any other individual participating in a work activity pursuant to this part." is dropped in the Chairman's amendment.

6. Remove Restriction that Noncitizens With Non-poor Sponsors Not Continue to Receive Benefits (Sec. 9302, p. 37). The original recommendation contained a restriction (see the language in (E)(ii) of sec. 9302(a) on p. 36 of the recommendation) that noncitizens on the Supplemental Security Income rolls on August 22, 1996 who had a sponsor with income above 150 percent of the poverty level would not continue to receive benefits. This provision is dropped from the Chairman's amendment.

7. Remove Public Charge Pledge (previous Sec. 9304). The original recommendation contained a provision requiring all incoming aliens to sign a pledge to the effect that they will not accept welfare benefits and indicating that they understand that if they become a public charge they are subject to deportation. This section has been dropped after further consultation with the Parliamentarian.

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June 5, 1997

The Honorable Clay Shaw
Chairman
Subcommittee on Human Resources
Committee on Ways and Means
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

We are writing to express our views on the Chairman's mark of the balanced budget reconciliation act to be considered by the Ways and Means Subcommittee on Human Resources. We fully support key provisions of your proposal, particularly the clarification that states may directly transfer Temporary Assistance to Needy Families (TANF) block grant funds into the Social Services Block Grant without first having to also transfer funds into the child care block grant, and the repeal of the mandatory maintenance-of-effort requirement applicable to state Supplemental SSI benefits. Both of these will enhance state flexibility and we are grateful to you for your leadership on these issues.

Vocational Educational Training. We strongly oppose the proposal contained in Sec. 9003 of the Chairman's mark that would further restrict the number of adults in vocational educational activities or teen parents in school that could count toward meeting the work participation rates. The welfare law, as enacted, already imposed a strict limit: No more than 20% of a state's TANF caseload could be engaged in these activities and count toward meeting the work participation rate. The proposal contained in the Chairman's mark would further limit those who would count to 20% of the state's work participation rate. For example, in FY 1997, this imposes an effective cap of 5% rather than the 20% enacted in the law. In FY 1997, this limit would be completely filled by teens who are mandated to complete their high school education. As a result of this four-fold reduction of the cap, no adults involved in vocational educational activities would count toward the work participation rate. We do not believe this was the intent of Congress when the law was adopted.

Governors, state legislators, and state administrators all support a "work first" approach as reflected in the welfare reform initiatives and TANF implementation in every state. However, we also believe that there are some individuals for whom time-limited participation in education and training would be an appropriate activity. Numerous studies have found that welfare recipients that participate in vocational training earn higher wages than those who do not, thereby reducing welfare dependency and recidivism. The welfare reform law, as enacted, gives states the flexibility to offer some education and training within a "work first" approach. Many state have already adopted their welfare reform initiatives based on the law and have made decisions about the availability of these services. The proposed new cap would place states at risk of financial penalties and greatly limit the state flexibility and discretion that we believe is essential to

successful to state implementation of the TANF program. We strongly urge you to support any amendment to strike Sec. 9003.

Welfare-to-Work Grants. With regard to the new $3 billion Welfare-to-Work grant program, we urge the Subcommittee to support fundamental changes in the design of this proposed initiative so that the funds can be used in the most efficient and effective manner to support job retention and job creation efforts. First, we strongly believe that the funds should be directed to the states. States should then have the ability to allocate funds in the manner each state determines to be most appropriate so that the most dependent and least skilled welfare clients in ***both*** rural and urban poverty areas can be served. Under the current formula in the Chairman's mark , rural areas with severe job shortages and long term welfare clients may never receive funding to meet their needs. We believe the proposed structure that would direct nearly one half of these funds to the Private Industry Councils (PICs) on a formula basis and nearly one half to cities and PICs on a competitive basis largely bypasses the states and dilutes the potential effectiveness of this new funding.

Furthermore, we oppose the federal government mandating the administrative structure the state must employ to direct and use these new funds. To the fullest extent possible, we believe these funds must be administered closely with the new TANF work programs and the state must have the ability to designate the delivery system—in some states this may the through the workforce development system, in other states through the social services system. The state should determine which is best. The proposed structure would only permit states to channel these funds to the PICs, some of whom may have had little experience in serving the "hardest to place" welfare clients. Finally, we believe the maintenance-of-effort (MOE) requirement of this program should be identical to the TANF 75 percent MOE requirement. For some states, the cost of increasing state expenditures to the 80 percent level required by this proposal will exceed the total amount of funds that a state could receive under this proposal.

We are committed to working with you as Congress continues to refine this new program so that the program is structured in a way to reach the welfare clients with the greatest needs.

Legal immigrants. We strongly believe that the termination of SSI and Medicaid benefits to legal immigrants who were in the country prior to enactment of the welfare law should be rectified. The action created an unacceptable cost shift to some state and local governments. We are concerned, however, about a provision that appears to continue this cost shift by retroactively applying income thresholds to sponsors. We urge you to delete this provision denying SSI and Medicaid benefits to legal immigrants with sponsors whose income exceeds 150% of the poverty level.

New penalty. We are concerned about the provision that would impose a new penalty on states that fail to reduce assistance for recipients who refuse to work. While states do intend to implement the sanction provision, we are concerned that the data collection and reporting that would be necessary to verify state compliance would create an excessive administrative burden and new cost. We urge Congress to focus on positive program outcomes and delete this new penalty.

Contingency fund. We also urge you to consider the reconciliation bill as an opportunity to make several needed changes to the contingency fund. Several existing provisions in the welfare law will make it difficult for states to access the contingency fund during periods of economic hardship—thereby defeating the purpose of the fund. Even if a state's spending equaled 100% maintenance-of-effort (MOE) for the basic TANF block grant, it might not be eligible for the contingency fund because the definition for MOE under the contingency fund is defined much more narrowly than for TANF. As a result, it will be very difficult for states to meet the criteria even while investing in a high level of spending on welfare programs if they have any MOE spending in separate state programs, as is permitted under TANF. We recommend that Congress change the contingency fund MOE requirement to mirror the TANF MOE with respect to qualified state spending.

Additionally, we are also concerned about an end-of-the year "reconciliation" provision in the contingency fund that effectively reduces a state's federal matching rate if the state received funds for fewer than 12 months in a fiscal year. We recommend that the reconciliation provision be revised so that states can receive their full match rate.

Thank you for consideration of our views.

Sincerely,

Raymond C. Scheppach
Executive Director
National Governors' Association

William T. Pound
Executive Director
National Conference of State Legislatures

A. Sidney Johnson, III
Executive Director
American Public Welfare Association

THE WHITE HOUSE
WASHINGTON

Elena –

FYI –

More detailed paper from Finance on welfare. Welfare to Work does Send $ directly to Locals, just not PICs.

Cynthia

WP - WP - to - work
legislation

# Committee On Finance

William V. Roth, Jr., Chairman

**NEWS RELEASE**

FOR IMMEDIATE RELEASE
June 13, 1997

Press Release #105 - 122
Contact: Ginny Flynn
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## ROTH PROPOSAL HELPS PROTECT THE NATION'S VULNERABLE WHILE BEGINNING NEEDED REFORMS TO SPENDING PROGRAMS

**Committee to Mark Up June 17**

WASHINGTON -- Senate Finance Committee Chairman William V. Roth, Jr. (R-DE) Friday released his "Chairman's Mark" on the spending portion of the budget. The Finance Committee has been instructed to reduce growth in federal spending by a net $100 billion over five years.

The Committee will mark up the spending proposal on Tuesday, June 17 in room SH-216, beginning at 10 AM.

"I recognize that the programs in the jurisdiction of the Senate Finance Committee -- Medicare and Medicaid -- are of the utmost importance to our nations' current and future generations of seniors, as well as children and the disabled. I also recognize that the programs' rates of spending have soared out of control in recent years, and are themselves on the critical care list.

"The outline that I am releasing today is a balanced approach that protects our most vulnerable populations while we begin to address necessary reforms in these entitlement programs. I have worked with all of the Republican and Democratic Members of the Finance Committee to address their concerns, and come up with a balanced and bipartisan package of reforms within the constraints of our budget instructions.

"In the area of Medicare, we take the first step in addressing the program's long term solvency problems with reforms modeled on the Federal Employees' Health Benefit Plan, something I have long advocated. Seniors can stay in the traditional Medicare program, or choose from a menu of health care options, depending on their health care priorities and preferences. Importantly also, we slow the rate of spending growth in the program.

"In the area of Medicaid, we enhance the governors' flexibility to allow them

to meet the health care needs of their vulnerable citizens. In this manner, we make it possible for more children and more of the disabled to have access to health care. We enhance governors' flexibility while making much needed management reforms in the program.

"We recognize that too many of our nation's children are without health insurance. I have appointed a bipartisan task force of four committee members, Senators Gramm, Chafee, Baucus and Breaux, to come up with an initiative that can receive committee-wide support, as well as support in the Senate and the Administration. This initiative should be based on giving governors a choice between a Medicaid enhanced match and a block grant. I have asked the task force to report back to me no later than Monday, and we will have a proposal drafted for Tuesday's mark up.

"In the area of welfare reform, I have attempted to reach a compromise within the amount of funds designated by the budget resolution ($9.7 billion/five years). My proposal would ensure that no immigrants who were in the country when the welfare reform bill became law would lose their Medicaid and SSI benefits, as in the House bill. It would then designate the remaining funds -- approximately $700 million -- cover those immigrants who were in the country at on August 22, 1996, and become disabled after that date. It is my hope that this temporary funding would give us enough time to come up with a permanent solution for this group of legal immigrants. At the very least, this compromise ensures that we continue to protect elderly and disabled immigrants while we work together toward a permanent solution.

"No legislation that involves compromise can ever be perfect for every member. But this bill is a good and necessary first step toward addressing some of our nation's entitlement problems while protecting and improving care for our country's children, disabled and seniors."

# # #

# INCOME SECURITY

## CONTINUE SSI ELIGIBILITY FOR CERTAIN NONCITIZENS

1. SSI eligibility will be maintained for all legal noncitizens who were in the U.S. and receiving SSI benefits as of August 22, 1996.

2. Legal noncitizens who were in the U.S. on August 22, 1996, will be eligible to qualify for SSI disability benefits for a limited period of time in the future.

3. SSI eligibility of refugees, asylees, and Cuban and Haitian entrants will be extended from 5 to 7 year.

**Budget target: $9.7 billion**

## ESTABLISH "WELFARE TO WORK" PROGRAM

4. "Welfare to Work" State Grants
   a. $3 billion of funds will be available for states to assist long-term welfare recipients or those who are at risk of long-term dependency.
      i. 75 percent of the funds will be provided through formula grants to the states. The formula will be based on the state's population under the national poverty level, unemployment rates, and welfare caseload; a small state minimum will apply.
      ii. 25 percent of the funds will be awarded by the Secretary of HHS based on competition.
   b. The grants will be administered through state TANF programs.
   c. $100 million of funds provided in 2001 will be reserved to be distributed among the states based on their performance in increasing the earnings of long-term welfare recipients or who are at risk of long-term welfare dependency.

5. Use of Grant Funds

   Funds will be used to assist long-term welfare recipients or those who are at risk of long-term dependency move into the workforce including for:
   a. job creation through public or private sector employment wage subsidies;
   b. on-the-job training;
   c. contracts with job placement companies or public job placement programs;
   d. job vouchers; and,
   e. job retention or support services if such services are not otherwise available.

   **Preliminary CBO score: $3 billion**

AUTHORIZE DEMONSTRATION AUTHORITY FOR INTEGRATED ENROLLMENT SERVICE SYSTEMS FOR HEALTH AND HUMAN SERVICES PROGRAMS

6. The Secretary will be authorized to approve up to 10 state projects which integrate the eligibility and enrollment determination functions for federal and state health and human services benefit programs.

7. The integrated enrollment service system as submitted by a state to the Department of Health and Human Services and the Department of Agriculture will be deemed approved and eligible for federal financial participation.

8. Each project will be required to provide an evaluation as to the effectiveness in improving client service.

H.R. 1048, "WELFARE REFORM TECHNICAL CORRECTIONS ACT OF 1997"

9. H.R. 1048, the "Welfare Reform Technical Corrections Act of 1997" with the following modifications:

   a. Delete all provisions relating to Title II of the Social Security Act.
   b. Add a correction to the sanction for failure to meet minimum participation rates.

**Preliminary CBO score: $0**

UNEMPLOYMENT INSURANCE PROVISIONS

10. Increase the Federal Unemployment Account ceiling from 0.25 percent to 0.50 percent of covered wages.

11. Clarify that states have full discretion in setting their own Unemployment Insurance (UI) base periods for determining eligibility for unemployment insurance benefits.

12. Inmates of penal institutions who participate in prison work programs will not be eligible for coverage under the Federal Unemployment Tax Act (FUTA) programs for such prison work.

**Preliminary CBO score: -$1 billion**

--Noncitizen Provisions

**CONTINUE SSI ELIGIBILITY FOR CERTAIN NONCITIZENS RECEIVING SSI ON AUGUST 22, 1996**

*Present Law--SSI.* The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193) bars most "qualified aliens" from Supplemental Security Income (SSI) for the Aged, Blind, and Disabled (sec.402(a)). Current recipients must be screened for continuing eligibility during a 1-year period after enactment of the welfare law (i.e., by August 22, 1997). The pending Fiscal Year 1997 supplemental appropriations bill would extend this date until September 30, 1997.

*Medicaid.* States may exclude "qualified aliens" who entered the United States before enactment of the welfare law (August 22, 1996) from Medicaid beginning January 1, 1997 (sec. 402(b)). Additionally, to the extent that legal immigrants' receipt of Medicaid is based only on their eligibility for SSI, some will lose Medicaid because of their ineligibility for SSI.

*Definitions and exemptions.* "Qualified aliens" are defined by P.L. 104-193 (as amended by P.L. 104-208) as aliens admitted for legal permanent residence (i.e., immigrants), refugees, aliens paroled into the United States for at least 1 year, aliens granted asylum or related relief, and certain abused spouses and children.

Certain "qualified aliens" are exempted from the SSI bar and the State option to deny Medicaid, as well as from certain other restrictions. These groups include: (1) refugees for 5 years after admission and asylees 5 years after obtaining asylum; (2) aliens who have worked, or may be credited with, 40 "qualifying quarters." As defined by P.L. 104-193, a "qualifying quarter" is a 3-month work period with sufficient income to qualify as a social security quarter and, with respect to periods beginning after 1996, during which the worker did not receive Federal means-based assistance (Sec. 435). The "qualifying quarter" test takes into account work performed by the alien, the alien's parent while the alien was under age 18, and the alien's spouse (provided the alien remains married to the spouse or the spouse is deceased); and (3) veterans, active duty members of the armed forces, and their spouses and unmarried dependent children.

*Committee Provision.*--Legal noncitizens who were receiving SSI benefits on August 22, 1996 (the date of enactment of the welfare reform law) would remain eligible for SSI, despite underlying restrictions in the Personal Responsibility and Work Opportunity Act. This section also specifies that Cuban and Haitian entrants

are to be considered qualified aliens, thereby continuing the SSI and Medicaid eligibility of those who were receiving SSI benefits on August 22, 1996.

*Effective Date*--August 22, 1996

**EXTENSION OF ELIGIBILITY PERIOD FOR REFUGEES AND CERTAIN OTHER QUALIFIED ALIENS FROM 5 TO 7 YEARS FOR SSI AND MEDICAID**

*Present Law.*--Current law provides a 5-year exemption from: (1) the bar against SSI and Food Stamps; and (2) the provision allowing States to deny "qualified aliens" access to Medicaid, TANF, and Social Services Block Grant for three groups of aliens admitted for humanitarian reasons. These groups are: (1) refugees, for 5 years after entry; (2) asylees, for 5 years after being granted asylum; and (3) aliens whose deportation is withheld on the grounds of likely persecution upon return, for 5 years after such withholding.

*Committee Provision.*--This change would lengthen the period during which welfare eligibility is guaranteed to refugees, asylees, and aliens whose deportation has been withheld from 5 years to 7 years. Cuban and Haitian entrants would also be covered by this provision.

*Effective Date.*--August 22, 1996

**--Welfare Reform Provisions**

**ESTABLISH "WELFARE TO WORK" GRANT PROGRAM**

*Present Law.*--The law combines recent Federal funding levels for three repealed programs (AFDC, Emergency Assistance, and JOBS) into a single block grant ($16.5 billion annually through Fiscal Year 2002). Each State is entitled to the sum it received for these programs in a recent year, but no part of the TANF grant is earmarked for any program component, such as benefits or work programs. The law also provides an average of $2.3 billion annually in a child care block grant.

*Committee Provision.*--After reserving 1 percent of each year's appropriation for Indian tribes and .5 percent for evaluation by the Secretary of HHS, the remainder of each year's appropriation is divided into two grant funds. The first fund is used for grants to states and localities and is allocated by a formula based equally on each state's share of the national poor population, unemployed workers, and adults receiving assistance under the Temporary Assistance for Needy Families block grant. There will be a small state minimum of 0.5 percent. The second fund is used to support proposals submitted by political subdivisions of states that are determined by the Secretary of

Health and Human Services to hold promise for helping long-term welfare recipients enter the workforce.

Formula grants from the first fund are to be provided to States for the purpose of initiating projects that aim to place long-term welfare recipients in the workforce. Governors must distribute at least 85 percent of the state allotment to local jurisdictions within the state in which poverty and unemployment rates are above the state average. These funds must be distributed in accord with a formula devised by the governor that bases at least 50 percent of its allocation weight on poverty and may also include two additional factors, welfare recipients who have received benefits for 30 or more months and unemployment. Any local jurisdiction that, under this formula, would be allotted less than $100,000 will not receive any funds; these funds will instead revert to the governor. Governors may use up to 15 percent of the state allocation, plus any amounts remitted from local jurisdictions that would be allotted less than $100,000, to fund projects designed to help long-term recipients enter the workforce.

Competitive grants are awarded in FY 1998 and FY 2000, although approved projects can receive funds from the Secretary every year and have 3 years to spend funds once obligated, on the basis of the likelihood that program applicants can successfully make long-term placements of welfare-dependent individuals into the workforce. The Secretary must select projects that show promise in: (1) expanding the base of knowledge about welfare-to-work programs for the least job ready; (2) moving the least job ready recipients into the labor force; and (3) moving the least job ready recipients into the labor force even in labor markets that have a shortage of low-skill jobs. Other factors the Secretary, at her discretion, may use to select projects include: history of success in moving individuals with multiple barriers into work; evidence of ability to leverage private, State, and local resources; use of State and local resources that exceed the required match; plans to coordinate with other organizations at the local and State level; and use of current or former welfare recipients as mentors, case managers, or service providers. Any political subdivision of a state may apply for funds. Not less than 30 percent shall be awarded to rural areas. The Secretary cannot award grants unless the TANF agency has approved the grant application. Further, the Secretary must terminate funds for a project upon a determination that the TANF agency is not adhering to the agreement. Awards to each project must be based on the Secretary's determination of the amount needed for the project to be successful. Allowable activities include job creation, on-the-job training, contracts with public or private providers of employment services, job vouchers, and job support services. The Secretary must include several required outcome measures in the evaluation study and must report on program outcomes to Congress in 1999 and 2001.

Funds under both the competitive grants and the formula grants can be spent only for job creation through public or private sector employment wage subsidies, on-the-job training, contracts with public or private providers of readiness, placement, and post-employment services, job vouchers for placement, readiness, and post-employment services, and job support services (not including child care) if such services are not otherwise available. Any entity receiving funds under either grant must expend at least 90 percent of the money on recipients who have received benefits for at least 30 months, who suffer from multiple barriers to employment, or are within 12 months of a mandatory time limit on benefits. States must provide a 33 percent match of federal funds and must comply with the 80 percent maintenance of effort requirements in TANF.

The Secretary shall also reserve $100 million to add to the "High Performance Bonus" amount in FY 2003 for states which are most successful in increasing the earnings of long-term welfare recipients or of those who are at risk of long-term welfare dependency.

Funds available under this program are $.75 billion for fiscal year 1998, $1.15 billion for fiscal year 1999, and $1.0 billion for fiscal year 2000. The Secretary must include several specific measures, such as success in job placements, in her evaluation of the program. In addition, the Secretary must submit a progress report to Congress in 1999 and a final report in 2001.

*Effective Date.*--Date of enactment (funds are available beginning in fiscal year 1998).

**DEMONSTRATION AUTHORITY FOR INTEGRATED ENROLLMENT SERVICE SYSTEMS FOR HEALTH AND HUMAN SERVICES PROGRAMS**

*Present Law.*--The Secretary is provided with authority to waive provisions of law, with authority to approve a variety of demonstration projects, and with authority to enter into contracts with entities other than public entities.

*Committee Provision.*--The Secretary, in consultation with the Secretary of Agriculture and other federal agencies if appropriate, will be authorized to approve up to 10 state projects which integrate the eligibility and enrollment determination functions for federal and state health and human services benefit programs including those under the Temporary Assistance for Needy Families, (TANF) Medicaid, the Special Supplemental Food Program for Women, Infants, and Children (WIC), and Food Stamps. Under this demonstration authority, states shall not be prevented from integrating and automating enrollment procedures for these programs through the use of automated data processing equipment or services or prevented from allowing

eligibility determinations to be made by an entity which is not a state or local government or by an individual who is not an employee of a state or local government. An application which has been submitted for approval which meets the objectives of this demonstration authority is deemed approved.

The state is required to take necessary steps to safeguard the privacy, confidentiality, and protections of individuals provided under law. The state is required to take necessary steps to provide that all protections for individuals seeking benefits including appeals and grievances as provided by law are ensured. Each state must provide for an independent evaluation of the effectiveness in improving client service.

**H.R. 1048, "WELFARE REFORM TECHNICAL CORRECTIONS ACT OF 1997"**

*Present Law.*--Refer to addendum.

*Committee Provision.*--Refer to addendum.

H.R. 1048 is amended by deleting all provisions relating to Title II of the Social Security Act and by making an additional correction to the Secretary's authority in applying sanctions on states for failure to meet mandatory work requirements under section 407.

-- **Unemployment Insurance Provisions**

**INCRRASE IN FEDERAL UNEMPLOYMENT ACCOUNT CEILING AND SPECIAL DISTRIBUTION TO STATES FROM THE UNEMPLOYMENT TRUST FUND**

*Present Law*--FUTA taxes are credited to Federal accounts in the Unemployment Trust Fund in proportions that are set by statute. Funds are held in reserve in these accounts to provide Federal spending authority for certain purposes. The Employment Security Administration Account (ESAA) funds Federal and State administration of the UI program. The Extended Unemployment Compensation Account (EUCA) finances the Federal share of extended UI benefits. The Federal Unemployment Account (FUA) provides authority for loans to States with insolvent UI benefit accounts. Each of these accounts has a statutory ceiling. ESAA's balance after the end of a fiscal year is reduced to 40% of the prior-year appropriation from ESAA. Excess funds are transferred to EUCA and/or FUA. The ceilings on EUCA and FUA are set as a percent of total wages in employment covered by UI. The current ceilings are 0.5% of wages for EUCA and 0.25% of wages for FUA. If all three accounts reach their ceilings, excess funds are distributed among the 53 State benefit accounts in the Unemployment Trust Fund, after repayment of any outstanding general revenue advances to FUA and EUCA. These transfers to the State accounts are termed "Reed Act transfers" after the name of the legislation that authorized this use of excess FUTA funds.

The Department of Labor projects that Reed Act transfers will be triggered beginning in Fiscal Year 2000 under present law.

*Committee Provision.*--The provision would double the Federal Unemployment Account ceiling from 0.25 percent to 0.50 percent of covered wages, effective at the beginning of fiscal year 2002. In addition, for each of fiscal years 2000, 2001, and 2002, if Federal account ceilings are reached, an annual total of no more than $100 million in Reed Act transfers are to be made from Federal UI accounts to State accounts for use by States in administering their UI programs. (Annual amounts in excess of $100 million are to accrue to the Federal Unemployment Account, notwithstanding the continued 0.25 percent ceiling). Funds are to be distributed among the States in the same manner as administrative funds from the Federal account are allocated.

*Effective Date.*--The increase in the Federal Unemployment Account ceiling is to occur on October 1, 2001; special distributions are made beginning in fiscal year 2000, based on account balances at the end of the preceding fiscal year.

## CLARIFYING PROVISION RELATING TO BASE PERIODS

*Present Law.*--Federal law establishes broad guidelines for the operation of State unemployment insurance (UI) programs but leaves most of the details of eligibility and benefits to State determination. One of these general Federal guidelines calls for States to use administrative methods that ensure full payment of UI benefits "when due." All States meet this requirement with program rules that the U.S. Department of Labor has found to be in compliance. In complying with the "when due" clause, States must decide what "base period" to use in measuring a claimant's wage history for the purpose of determining individual eligibility and benefit entitlement. States have generally used a base period consisting of the first 4 of the last 5 completed calendar quarters. However, several States that use this base period also use an "alternative base period," usually the last 4 completed calendar quarters. This alternative base period is used for claimants who are found to be ineligible because their earnings were too low in the regular base period. Although current State base periods have Department of Labor approval, a Federal court in Illinois, in the case of *Pennington* v. *Doherty*, ruled that the State of Illinois is not in compliance with the "when due" clause because it could use a more recent base period, which would benefit a significant number of claimants. This case may be appealed further. If left standing, it will apply only to three States: Illinois, Indiana, and Wisconsin. However, similar suits have been filed in other States, and they could lead to a de facto national rules change based on judicial action.

*Committee Provision.*--The provision reinforces current policy by affirming that States have complete authority to set their own

base periods used in determining individuals' eligibility for unemployment insurance benefits. According to the Congressional Budget Office, failing to make this change could result in 41 States' being required to adopt alternative base periods at a cost of $400 million annually in added UI benefits plus increased administrative costs. CBO assumes that States would increase their revenue collections (by raising payroll taxes) to cover any increase in benefit outlays.

*Effective Date.*--This section shall apply for purposes of any period beginning before, on, or after the date of enactment of this Act.

**COVERAGE OF WORK PERFORMED BY INMATES OF PENAL INSTITUTIONS**

*Present Law.*--Federal law requires UI coverage for most nongovernmental employment, and employers have to pay taxes under the Federal Unemployment Tax Act (FUTA) for their employees. Federal law also requires state UI programs to cover jobs in state and local government agencies. Each governmental employer reimburses the state UI program for the cost of any unemployment benefits paid to its workers.

Federal law does except certain employment from this mandatory coverage. One exception permits states to exclude from coverage services performed for a governmental agency by inmates of custodial or penal institutions. However, any work performed by inmates by private employers through work-release programs or other cooperative arrangements between prison authorities and private employers does not come under this exception. Further, there is no exception to FUTA coverage of private employers for jobs held by inmates of penal institutions. Thus, it is possible for a prison inmate on work-release to earn UI coverage that may be used to claim UI benefits, if the inmate, when released, is unemployed and available for work.

*Committee Provisions.*--The Committee provision will prevent the payment of unemployment compensation benefits to former prisoners who became "unemployed" when they were released and were no longer participating in a prison work program. Inmates who provide services directly to the prison are already exempt from unemployment taxes. This would extend the same treatment to inmates who participate in other work programs while in prison.