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PROVIDING FOR CONSIDERATION OF H.R. 4, PERSONAL RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT OF 2003

FEBRUARY 12, 2003.—Referred to the House Calendar and ordered to be printed

Ms. PRYCE of Ohio, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 69]

The Committee on Rules, having had under consideration House Resolution 69, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of H.R. 4, the Personal Responsibility, Work and Family Promotion Act of 2003, under a modified closed rule. The rule waives all points of order against consideration of the bill.

The rule provides two hours of general debate, with 50 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, 40 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce, and 30 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Energy and Commerce. The rule provides that the bill shall be considered as read for amendment.

The rule makes in order only those amendments printed in this report, which may be offered only in the order printed in this report, may be offered only by a Member designated in this report, shall be considered as read, shall be debatable for the times specified in this report equally divided and controlled by the proponent and an opponent, and shall not be subject to amendment.

The rule waives all points of order against the amendments printed in the report, except that the adoption of an amendment in the nature of a substitute shall constitute the conclusion of consideration of the bill for amendment.

Finally, the rule provides one motion to recommit with or without instructions.

COMMITTEE VOTES

Pursuant to clause 3(b) of House rule XIII the results of each record vote on an amendment or motion to report, together with the names of those voting for and against, are printed below:

Rules Committee record vote No. 2

Date: February 12, 2003.
Measure: H.R. 4.
Motion by: Mr. McGovern.
Summary of motion: To make in order the amendment offered by Representative Jackson-Lee, which would grant states the option to waive the 5 year ineligibility of qualified aliens for benefits under TANF.
Results: Defeated 1 to 6.
Vote by Members: Linder—Nay; Pryce—Nay; Hastings (WA)—Nay; Myrick—Nay; Reynolds—Nay; McGovern—Yea; Dreier—Nay.

SUMMARY OF THE AMENDMENTS MADE IN ORDER

(Summaries derived from information provided by amendment sponsor.)

1. Kucinich/Lee/McGovern/Lantos—Amendment in the nature of a substitute. Adds poverty reduction as a purpose of TANF and provides states with a poverty reduction bonus. Increases the block grant by inflation. Maintains current work requirements. Removes the cap on the number of recipients who can pursue vocational education. Lifts the time limit on education to give recipients an opportunity to earn a degree. Provides $20 billion for the Child Care Development Block Grant. Requires states to address barriers to work, including domestic violence, by providing for trained caseworkers to screen recipients. Restores eligibility to immigrants. (40 minutes)

2. Cardin/Kind/Woolsey—Amendment in the nature of a substitute. Expands state flexibility to provide training and education to welfare recipients (such activities would count for up to 24 months against a state's participation requirement). Increases to 70% the number of welfare recipients that are required to be engaged in work-related activities (including education and training). Provides states with an employment credit that would reduce a state's participation requirement according to the number of welfare recipients that have left welfare for work over the last six months. Maintains the current-law requirement on total participation hours (30 per week with a State option to go higher) with a requirement that 24 hours be in core activities. Maintains the current 20-hour requirement for mothers. Maintains the current five-year time limit on TANF benefits. Increases mandatory funding for child care by $11 billion over the next five years and increases TANF for inflation. Removes various barriers to serving legal immigrants, including the current ban on states providing federally-funded TANF benefits to immigrant families. Includes reducing poverty and increasing self-sufficiency as a new purpose of the TANF program and provides financial bonuses to states reducing child poverty. (40 minutes)

TEXT OF THE AMENDMENTS MADE IN ORDER

1. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE KUCINICH OF OHIO, OR HIS DESIGNEE, DEBATABLE FOR 40 MINUTES

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Patsy Mink Memorial TANF Reauthorization Act".

SEC. 2. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

Sec. 1. Short title.
Sec. 2. Table of contents.
Sec. 3. Findings.
Sec. 4. Amendment of Social Security Act.

TITLE I—GENERAL PROVISIONS

Sec. 101. Purposes.
Sec. 102. State plan.
Sec. 103. Funding.
Sec. 104. Use of funds.

TITLE II—WORK REQUIREMENTS

Sec. 201. Reduced work requirement for parents of school-age children who cannot find adequate child care.
Sec. 202. Conforming the number of weeks to the unemployment insurance compensation standard.
Sec. 203. Revision of work activities.
Sec. 204. Penalties against individuals for unjustified refusal to work; additional justifications.
Sec. 205. Elimination of miscellaneous provisions.

TITLE III—PROHIBITIONS; REQUIREMENTS

Sec. 301. Replacement of requirement to sanction individual for noncooperation in establishing paternity or obtaining child support with prohibition on requiring such cooperation.
Sec. 302. Prohibition on requiring assignment of support rights to the State; return of support rights assigned to the State.
Sec. 303. Elimination of sanction against teenage parents not attending high school or other equivalent training program.
Sec. 304. Requirements relating to disregard of child support.
Sec. 305. Elimination of sanction against teenage parents not living in adult-supervised settings.
Sec. 306. Protection for children.
Sec. 307. 5-year time limit.
Sec. 308. Requirement to provide notice of rights of recipients, and train program personnel in carrying out program consistent with the rights.
Sec. 309. Requirement to provide information to individuals who are, or are at risk of being, sanctioned.
Sec. 310. Ban on counting income, scholarship, or gift received by dependent minors.
Sec. 311. Ban on diversion of potential applicants for assistance.
Sec. 312. Prohibition on requiring recipients to respond to surveys conducted to obtain information for quarterly reports.
Sec. 313. Confidentiality of program information.
Sec. 314. Nondiscrimination.
Sec. 315. Requirement to provide opportunity to appeal adverse decision.
Sec. 316. Clarification of penalty for failure to comply with individual responsibility plan.
Sec. 317. Applicability of civil rights laws.
Sec. 318. Elimination of special rules relating to treatment of aliens.

TITLE IV—PENALTIES

Sec. 401. Increase in penalty for failure to submit required report.

Sec. 402. Replacement of penalty against State for failure to comply with paternity establishment and child support enforcement requirements with penalty for requiring cooperation in establishing paternity or obtaining child support (including assigning support rights to the State).
Sec. 403. Extension of maintenance of effort requirement.
Sec. 404. Penalty for failure of State to comply with child support disregard requirements.
Sec. 405. Penalty for penalizing birth of child.
Sec. 406. Penalty for failure to notify recipients of rights, or train program personnel in respecting rights of recipients.
Sec. 407. Penalty for failure to provide information to individuals who are, or are at risk of being, sanctioned.
Sec. 408. Penalty for counting income, scholarship, or gift received by dependent minor.
Sec. 409. Penalty for diverting potential applicant for assistance.
Sec. 410. Penalty for requiring recipient to respond to survey conducted to obtain information for quarterly report.
Sec. 411. Penalty for unauthorized disclosure of information provided by recipient.
Sec. 412. Penalty for discrimination.
Sec. 413. Penalty for failure to provide opportunity to appeal adverse decision.
Sec. 414. Penalty for failure to comply with minimum benefit rules.
Sec. 415. Penalty for failure to provide individual child care entitlement.
Sec. 416. Failure to submit report on welfare access and outcomes.
Sec. 417. Elimination of reasonable cause exception.
Sec. 418. Modification of availability of corrective compliance plan option.
Sec. 419. Repeal of ban on assistance for persons convicted of a drug felony.

TITLE V—STUDIES AND REPORTS

Sec. 501. Additional information to be included in quarterly State reports.
Sec. 502. Elimination from secretarial report to the Congress of information on out-of-wedlock pregnancies.
Sec. 503. Access to welfare; welfare outcomes.
Sec. 504. Assessment of regional economies to identify higher entry level wage opportunities in industries experiencing labor shortages.
Sec. 505. Research, evaluations, and national studies.
Sec. 506. Study by the Census Bureau.

TITLE VI—WAIVERS

Sec. 601. Waivers.

TITLE VII—REPEAL OF LIMITATION ON FEDERAL AUTHORITY

Sec. 701. Repeal of limitation on Federal authority.

TITLE VIII—MINIMUM BENEFIT RULES

Sec. 801. Minimum benefit rules.

TITLE IX—CHILD CARE

Sec. 901. Individual entitlement to child care.

TITLE X—DEFINITION OF POVERTY LINE

Sec. 1001. Definition of poverty line.

TITLE XI—SERVICE PROVIDERS

Sec. 1101. Protection for beneficiaries.

TITLE XII—EFFECTIVE DATE

Sec. 1201. Effective date.

SEC. 3. FINDINGS.

The Congress finds the following:

(1) Welfare reform has reduced the welfare caseload but has failed to move families out of poverty. More than 40 percent of former welfare recipients continued to live below the poverty line in 1999. Employed former recipients earn a median hourly wage of $7.15. Because challenges to economic opportunity and well-being are not adequately addressed by current welfare

programs, existing law must be changed to ensure that welfare policy effectively promotes the reduction of poverty.

(2) Between 1995 and 1999, a strong economy reduced poverty by about 2 percent. Reductions in Government transfer payments during this period, however, eliminated almost all of the antipoverty effectiveness of economic growth. Prior to welfare reform, between 1993 and 1995, Government transfer payments had produced the opposite effect, reducing poverty among American families.

(3) About ⅓ of people who have left welfare say they have had to cut the size of meals or skip meals because they did not have enough food in the house.

(4) Over 40 percent of welfare leavers report that they have had trouble paying housing and utility bills since leaving welfare.

(5) Since welfare reform was enacted in 1996, and despite a strong economy, there have been sharp increases in the rates at which single mothers with children have had to rely on food pantries and homeless shelters.

(6) An estimated ⅓ to ½ of all families leaving welfare for work do not receive medical assistance, food stamps, or child care to which they are entitled.

(7) Only 1,500,000 of the 9,900,000 children who are eligible for child care subsidies under their States' eligibility guidelines receive child care assistance.

(8) Between 1997 and 1999, over 500,000 families were sanctioned off welfare and these families have been more likely to experience poverty than have other families leaving welfare. On a variety of measures, families who have been sanctioned off welfare tend to fare worse than other leavers.

(9) States in which African Americans make up a higher proportion of recipients are statistically more likely to adopt full-family sanctions. African American recipients are statistically more likely than white recipients to participate in a TANF program that employs full-family sanctions. African-American families have, in fact, been sanctioned more frequently than their white counterparts.

(10) States in which African Americans make up a higher proportion of recipients are statistically more likely to adopt family cap policies. African American recipients are statistically more likely than white recipients to participate in a TANF program that employs a family cap policy.

(11) States in which African Americans make up a higher proportion of recipients are statistically more likely to adopt time limits shorter than the Federal Government requires. Approximately ⅔ of all families that will exhaust their allowable time on welfare are families of color.

(12) Overall, 78 percent of children with immigrant parents are themselves born in the United States and are therefore eligible for services if poor. Nearly ¼ of all children of immigrants live in poor families and 23 percent of all poor children in the United States are either first- or second-generation immigrants. Immigrants whose children are eligible for public benefits often don't know about the services, are afraid to access them, or are incorrectly turned away.

(13) About 25 percent of former welfare recipients have no paid employment and have either no partner or a partner who is unemployed.

(14) Under welfare reform, single mothers have been forced to work at unsafe and hazardous job sites and to be subject to sexual harassment and racial discrimination.

(15) Most single mothers who leave welfare for work do not earn enough in wages to lift their families out of poverty, even several years after leaving welfare. 55 percent remain poor 1 year after leaving welfare; 49 percent 3 years after and 42 percent 5 years after. Only about ⅓ of all leavers have incomes above 150 percent of the poverty line years after going off welfare.

(16) Adolescent children of single mothers who have left welfare for work have school performance rates below those of other low-income children. Early studies of families in welfare-to-work programs in Florida, Minnesota, and Canada have found unexpected evidence that their adolescent children have lower academic achievement and more behavioral problems than the children of other welfare households. The researchers hypothesized that parents in the programs might have less time and energy to monitor their adolescents' behavior once they were employed; that under the stress of working, they might adopt harsher parenting styles; or that the adolescents' assuming more responsibilities at home when parents got jobs was creating too great a burden.

(17) Under welfare reform, when families lost income regardless of the reason, children were more likely to experience bad outcomes such as increased school suspensions, behavior and mental health problems including symptoms of depression, an increase in the number of children removed from their mother's care, increased enrollment in special classes for behavioral or emotional problems, and health problems such as increased trips to the emergency room. In programs where both employment and income were increased, the impact on children was more positive.

(18) Most single mothers on welfare who are eligible for the exemption from cooperating in establishing paternity are not made aware of this option.

(19) 35 percent of low-income families reported mental health problems according to a 1999 study. Similar rates of mental health problems have been found among welfare recipients. Among California welfare program participants, more than ⅓ had at least 1 diagnosable mental health problem in the previous 12 months, and about 20 percent had 2 or more. Nationally, between 70 and 90 percent of working-age adults with serious mental health problems are unemployed. According to a 2001 study, major depression significantly decreases the likelihood that a woman receiving welfare will be employed and the presence of 1 or more of 4 psychiatric disorders increases the likelihood of receiving cash assistance by 32 percent.

(20) Over half of women receiving welfare have been victims of domestic violence as adults. According to several studies, a quarter to a third of welfare recipients report having been

abused within the last year. Abusive partners often interfere with women's attempts to work or to obtain education.

SEC. 4. AMENDMENT OF SOCIAL SECURITY ACT.

Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the amendment or repeal shall be considered to be made to a section or other provision of the Social Security Act.

TITLE I—GENERAL PROVISIONS

SEC. 101. PURPOSES.

Section 401(a)(1) (42 U.S.C. 601(a)(1)) is amended to read as follows:

"(1) IN GENERAL.—The purpose of this part is to end child and family poverty by—

"(A) supporting caregivers so that children may be cared for in their own homes;

"(B) promoting education, training, work supports, and access to jobs that pay a living wage;

"(C) assuring access to Medicaid, Food Stamps, child care, and such other assistance for which the family is eligible;

"(D) providing access to services to address barriers to leaving poverty, including mental health, disability, substance abuse, domestic violence, and sexual assault; and

"(E) reducing poverty of families with children.".

SEC. 102. STATE PLAN.

(a) IN GENERAL.—Section 402(a) (42 U.S.C. 602(a)) is amended—

(1) in paragraph (1)—

(A) in subparagraph (A)—

(i) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

(ii) by striking clauses (v) and (vi); and

(B) in subparagraph (B)—

(i) in clause (iii), by inserting "and will notify recipients of assistance under the program of the rights of individuals under all laws applicable to program activities" before the period;

(ii) by striking clauses (i) and (iv) and redesignating clauses (ii) and (iii) as clauses (i) and (ii), respectively;

(2) in paragraph (7), by striking subparagraph (B) and inserting the following:

"(B) DOMESTIC OR SEXUAL VIOLENCE DEFINED.—In this title, the term 'domestic or sexual violence' has the same meaning as 'battered or subject to extreme cruelty' in section 402(a)(7)(C)(ii).''; and

(3) by adding at the end the following:

"(7) CERTIFICATIONS REGARDING DOMESTIC AND SEXUAL VIOLENCE, MENTAL ILLNESS, DISABILITY, AND SUBSTANCE ABUSE.—

"(A) STANDARDS AND PROCEDURES.—A certification by the chief executive officer of the State that the State has established and is enforcing standards and procedures to ensure that the State will do the following:

"(i) ADDRESS RECIPIENT'S BARRIERS TO LEAVING POVERTY.—Address the needs of a recipient who has a mental health problem, disability, or substance abuse addiction, or who is dealing with domestic or sexual violence, including how the State will, at the time of application, at a recipient's request, and before imposing any sanction or penalty for noncompliance—

"(I) have trained caseworkers screen, and, at the option of the recipient, qualified professionals assess and identify individuals who are dealing with a mental health problem, disability, substance abuse addiction, or domestic or sexual violence;

"(II) in the case of an individual who is so identified, at the option of the individual, refer the individual and affected children or other close family members for appropriate treatment, counseling, vocational rehabilitation, job training, and other services;

"(III) coordinate, contract, or hire appropriate licensed qualified professionals, including licensed qualified mental health service providers, licensed qualified physicians or medical service providers, licensed qualified substance abuse professionals, domestic violence coalitions, sexual assault coalitions, or victim services organizations;

"(IV) ensure the strict confidentiality of such information; and

"(V) pursuant to a determination of good cause, waive, without time limit, any State or Federal program requirement for so long as necessary in every case in which the requirement—

"(aa) makes it more difficult for the individual to manage his or her mental health problem, disability, substance abuse addiction, or domestic or sexual violence situation;

"(bb) unfairly penalizes the individual; or

"(cc) makes the individual unsafe.

"(ii) USE OF QUALIFIED PROFESSIONALS.—Enter into contracts with or employ qualified professionals for the provision of services in each of the fields of mental health, substance abuse, disability, and domestic or sexual violence, and that the contracts will require that, in the case of an individual who has multiple such barriers, the qualified professionals assigned to the case will collaborate to provide the individual with integrated, comprehensive services.

"(B) DEFINITIONS.—In this paragraph:

"(i) DOMESTIC VIOLENCE COALITION.—The term 'domestic violence coalition' means a nonprofit, nongovernmental membership organization that—

"(I) consists of the entities carrying out a majority of the domestic violence programs carried out in a State;

"(II) collaborates and coordinates activities with Federal, State, and local entities to further the

purposes of domestic violence intervention and prevention; and

"(III) among other activities, provides training and technical assistance to entities carrying out domestic violence programs in a State, territory, political subdivision, or area under Federal authority.

"(ii) SEXUAL ASSAULT COALITION.—The term 'sexual assault coalition' means a nonprofit, nongovernmental membership organization that—

"(I) consists of the entities carrying out a majority of the sexual assault programs carried out in a State;

"(II) collaborates and coordinates activities with Federal, State, and local entities to further the purposes of sexual assault intervention and prevention; and

"(III) among other activities, provides training and technical assistance to entities carrying out sexual assault programs in a State, territory, political subdivision, or area under Federal authority.

"(iii) VICTIM SERVICES ORGANIZATION.—The term 'victim services organization' means a nonprofit, nongovernmental organization that provides assistance to victims of domestic or sexual violence or to advocates for such victims, including a rape crisis center, an organization carrying out a domestic violence program, an organization operating a shelter or providing counseling services, or an organization providing assistance through the legal process.

"(iv) LICENSED QUALIFIED MENTAL HEALTH SERVICE PROVIDER.—The term 'licensed qualified mental health service provider' means a psychiatrist, clinical psychologist, clinical social worker, community mental health counselor, or other licensed individual who has appropriate training in the diagnosis and treatment of mental illness in children, adolescents, and adults or provides mental health services reimbursed under title XVIII or a State plan approved under title XIX.

"(v) QUALIFIED PROFESSIONAL.—The term 'qualified professional' means—

"(I) with respect to a disability, a physician or other licensed medical provider;

"(II) with respect to substance abuse, a licensed drug counselor or clinician with expertise in the assessment and treatment of parents with drug addiction issues, who may be affiliated with an out-patient or residential family drug or alcohol treatment program; or

"(III) with respect to domestic or sexual violence—

"(aa) a State or tribal domestic violence coalition or sexual assault coalition; or

"(bb) a State or local victim services organization with recognized expertise in the dynamics of domestic or sexual violence whose primary mission is to provide services to victims of domestic or sexual violence, such as a rape crisis center or domestic violence program.

"(8) CERTIFICATION REGARDING ASSESSMENT OF REGIONAL ECONOMIES AND INFORMING LOCALITIES OF SECTORAL LABOR SHORTAGES.—A certification by the chief executive officer of the State that, during the fiscal year, the State will assess its regional economies and provide information to political subdivisions of the State about the industrial sectors that are experiencing a labor shortage and that provide higher entry-level wage opportunities for unemployed and underemployed job seekers.".

SEC. 103. FUNDING.

(a) FAMILY ASSISTANCE GRANT.—Section 403(a)(1) (42 U.S.C. 603(a)(1)) is amended in each of subparagraphs (A) and (E) by striking "1996, 1997, 1998, 1999, 2000, 2001, and 2002" and inserting "1996 through 2008".

(b) INFLATION ADJUSTMENT.—Section 403(a)(1) (42 U.S.C. 603(a)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking "means the greatest of—" and inserting "means, with respect to a fiscal year specified in subparagraph (A) of this paragraph—

"(i) the greatest of—";

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

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

(D) by striking the period and inserting "; multiplied by"; and

(E) by adding at the end the following:

"(ii) 1.00, plus the inflation percentage (as defined in subparagraph (F) of this paragraph) in effect for the fiscal year specified in subparagraph (A) of this paragraph."; and

(2) by adding at the end the following:

"(F) INFLATION PERCENTAGE.—For purposes of subparagraph (B) of this paragraph:

"(i) IN GENERAL.—Except as provided in clause (ii), the inflation percentage applicable to a fiscal year is the percentage (if any) by which—

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

"(II) the average of the Consumer Price Index (as so defined) for the 12-month period ending on September 30, 2001.

"(ii) SPECIAL RULE FOR FISCAL YEAR 2003.—The inflation percentage applicable to fiscal year 2003 is ½ of the inflation percentage determined under clause (i) for fiscal year 2003.".

(c) REPLACEMENT OF BONUS TO REWARD DECREASE IN ILLEGITIMACY RATIO WITH CHILD POVERTY REDUCTION BONUS.—Section 403(a)(2) (42 U.S.C. 603(a)) is amended to read as follows:

"(2) BONUS TO REWARD STATES THAT REDUCE CHILD POVERTY.—

"(A) IN GENERAL.—Beginning with fiscal year 2003, the Secretary shall make a grant pursuant to this paragraph to each State for each fiscal year for which the State is a qualified child poverty reduction State.

"(B) AMOUNT OF GRANT.—

"(i) IN GENERAL.—Subject to this subparagraph, the amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall be an amount equal to—

"(I) the number of children who had not attained 18 years of age by the end of the then most recently completed calendar year and who resided in the State as of the end of such calendar year, divided by the number of such children who resided in the United States as of the end of such calendar year; multiplied by

"(II) the amount appropriated pursuant to subparagraph (F) for the fiscal year.

"(ii) LIMITATIONS.—

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

"(II) MAXIMUM GRANT.—The amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall not exceed an amount equal to 5 percent of the State family assistance grant for the fiscal year.

"(iii) PRO RATA INCREASE.—If the amount available for grants under this paragraph for a fiscal year is greater than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall, subject to clause (ii)(II), be increased by such equal percentage as may be necessary to ensure that the total of the amounts payable for the fiscal year under this paragraph equals the amount available for the grants.

"(iv) PRO RATA REDUCTION.—If the amount available for grants under this paragraph for a fiscal year is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall, subject to clause (ii)(I), be reduced by such equal percentage as

may be necessary to ensure that the total of the amounts payable for the fiscal year under this paragraph equals the amount available for the grants.

"(v) SPECIAL RULE FOR FISCAL YEAR 2003.—The amount payable to a State under this paragraph for fiscal year 2003 shall be ½ of the amount otherwise so payable.

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

"(D) DEFINITIONS.—In this paragraph:

"(i) QUALIFIED CHILD POVERTY REDUCTION STATE.—The term 'qualified child poverty reduction State' means, with respect to a fiscal year, a State if—

"(I) the child poverty rate achieved by the State for the then most recently completed calendar year for which such information is available is less than the lowest child poverty rate achieved by the State during the applicable period; and

"(II) the average depth of child poverty in the State for the then most recently completed calendar year for which such information is available is not greater than the average depth of child poverty in the State for the calendar year that precedes such then most recently completed calendar year.

"(ii) APPLICABLE PERIOD.—In clause (i), the term 'applicable period' means, with respect to a State and the calendar year referred to in clause (i)(I), the period that—

"(I) begins with the calendar year that, as of October 1, 2002, precedes the then most recently completed calendar year for which such information is available; and

"(II) ends with the calendar year that precedes the calendar year referred to clause (i)(I).

"(iii) CHILD POVERTY RATE.—The term 'child poverty rate' means, with respect to a State and a calendar year, the percentage of children residing in the State during the calendar year whose family income for the calendar year is less than the poverty line then applicable to the family.

"(iv) AVERAGE DEPTH OF CHILD POVERTY.—The term 'average depth of child poverty' means with respect to a State and a calendar year, the average dollar amount by which family income is exceeded by the poverty line, among children in the State whose family income for the calendar year is less than the applicable poverty line.

"(v) POVERTY LINE.—The term 'poverty line' has the meaning given the term in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section applicable to a family of the size involved.

"(E) FAMILY INCOME DETERMINATIONS.—For purposes of this paragraph, family income includes cash income, child support payments, government cash payments, and benefits under the Food Stamp Act of 1977 that are received by any family member, and family income shall be determined after payment of all taxes and receipt of any tax refund or rebate by any family member.

"(F) APPROPRIATIONS.—

"(i) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated—

"(I) for fiscal year 2003, $75,000,000 for grants under this paragraph; and

"(II) for fiscal year 2004 and each fiscal year thereafter $150,000,000 for grants under this paragraph.

"(ii) AVAILABILITY.—Amounts made available under clause (i) shall remain available until expended.".

(d) SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.—Section 403(a)(3) (42 U.S.C. 603(a)) is amended—

(1) in subparagraph (A)(ii), by striking ", 2000, and 2001" and inserting "through 2008";

(2) by striking subparagraphs (C) and (D) and inserting the following:

"(C) QUALIFYING STATE.—For purposes of this paragraph, a State is a qualifying State for a fiscal year if rate at which the population of the State with income less than 200 percent of the poverty line has increased (as determined by the Bureau of the Census) for the most recent fiscal year for which information is available exceeds the such rate for all States (as so determined) for such most recent fiscal year.

"(D) STATE DEFINED.—In this paragraph, the term 'State' means each of the 50 States of the United States, the District of Columbia, Puerto Rico, the United States Virgin Islands, and Guam."; and

(3) in subparagraph (E)—

(A) by striking "1998, 1999, 2000, and 2001" and inserting "2003 through 2008"; and

(B) by striking "$800,000,000" and inserting "$2,000,000,000".

(e) AMENDMENT OF BONUS TO REWARD HIGH PERFORMANCE STATES.—Section 403(a)(4) (42 U.S.C. 603(a)(4)) is amended to read as follows:

"(4) BONUS TO REWARD HIGH PERFORMANCE STATES.—

"(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State with respect to a category described in subparagraph (C).

"(B) AMOUNT OF GRANT.—

"(i) IN GENERAL.—Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to a high performing State for a bonus year with respect to a category, which shall be based on the score assigned

to the State under subparagraph (D)(i) with respect to the category for the fiscal year that immediately precedes the bonus year.

"(ii) LIMITATION.—The total of the amounts payable to a State under this paragraph for a bonus year shall not exceed 5 percent of the State family assistance grant.

"(C) FORMULA FOR MEASURING STATE PERFORMANCE.—Not later than October 1, 2003, the Secretary shall, in consultation with affected groups, including recipient groups and State governors, issue regulations implementing criteria for awarding of bonuses under this paragraph in the following categories:

"(i) PREPARATION AND PLACEMENT OF RECIPIENTS IN EMPLOYMENT THAT WILL MOVE FAMILIES OUT OF POVERTY.—The degree of success in implementing employment-related measures, including job entry, job retention and earnings gain rates, improvement in each of such measures, and the success of States in—

"(I) meeting self-sufficiency needs for welfare leavers;

"(II) training, placing and retaining welfare leavers in higher-waged jobs identified in the assessment most recently submitted by the State pursuant to section 411(d);

"(III) training, placing and retaining welfare leavers in technical, professional, or nontraditional occupations for women;

"(IV) providing career development assistance related to higher-waged jobs including reliable, up-to-date career counseling services, employability assessments on available employment that pays a sustainable wage, nontraditional training and education options, and employment opportunities;

"(V) encouraging participation in post-secondary educational programs;

"(VI) encouraging use of effective literacy programs that strengthen basic skills in the context of employment; and

"(VII) encouraging participation in vocational education programs for occupations identified in the assessment most recently submitted by the State pursuant to section 411(d).

"(ii) REMOVAL OF BARRIERS TO SELF SUFFICIENCY.—The degree of success in removing mental health, substance abuse, disability, or domestic or sexual violence barriers to escaping poverty, which shall be based on an equal weighting of the following:

"(I) NOTIFICATION.—The percentage of individuals receiving assistance under this part who report having been notified of the option to be assessed for and receive services to manage a barrier to escaping poverty. A State shall not be eligible for a grant under this paragraph with respect

to the category described in this subparagraph unless at least 75 percent of the individuals surveyed by the State respond in the affirmative to the question of whether the individual has received the notification.

"(II) TRAINING.—The percentage of caseworkers, supervisors, and new employees who have been trained in a curriculum developed by or in collaboration with qualified professionals in each of mental health, substance abuse, disability, or domestic or sexual violence services. A State shall not be eligible for a grant under this paragraph with respect to the category described in this subparagraph unless at least 80 percent of the caseworkers, supervisors, and employees administering the State program funded under this part have been trained in the curriculum.

"(III) ASSESSMENT AND SERVICES.—The State must certify that the State has contracts with or employs qualified professionals in mental health, substance abuse, disability, or domestic or sexual violence services, and that the contract requires that where an individual has multiple barriers the professional service providers will collaborate to provide the individual holistic services.

"(iii) PROVISION OF WORK SUPPORTS.—The extent to which the State has increased the percentages described to in the following subclauses in comparison to the percentages achieved in fiscal year 2001:

"(I) FOOD STAMPS MEASURES.—Of the number of families with children in the State who are eligible to receive food stamp benefits under the Food Stamp Act of 1977, the percentage who receive such benefits.

"(II) MEDICAID AND SCHIP MEASURES.—Of the individuals who have ceased receiving assistance under the State program funded under this part for 4 or more months, and are eligible to receive medical assistance under a State plan approved under title XIX or the child health assistance under a State plan approved under title XXI, the percentage who receive such medical or child health assistance.

"(III) CHILD CARE MEASURES.—Of the children in the State who meet the maximum allowable Federal eligibility requirements for benefits under the Child Care and Development Block Grant Act of 1990, the percentage who receive such benefits, including any such children who receive child care benefits provided with additional State or Federal funds, including Head Start Funds. In taking the percentage into account for purposes of this clause, the Secretary shall also consider (aa) the affordability of child care subsidies by including a comparison of co-payment rates charged to eligible

families, and (bb) the proportion of market rates paid to providers of subsidized child care as determined by a market rate survey that was taken not more than 2 years earlier.

"(D) SCORING OF STATE PERFORMANCE; SETTING OF PERFORMANCE THRESHOLDS.—For each bonus year, the Secretary shall—

"(i) use the formula developed under subparagraph (C) for a measure to assign a score to each eligible State with respect to the measure for the fiscal year that immediately precedes the bonus year; and

"(ii) prescribe a performance threshold for each such measure in such a manner so as to ensure that—

"(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals $278,333,333; and

"(II) the total amount of grants to be made under this paragraph for all bonus years equals $1,670,000,000.

"(E) DEFINITIONS.—In this paragraph:

"(i) BONUS YEAR.—The term 'bonus year' means fiscal years 2003 through 2008.

"(ii) HIGH PERFORMING STATE.—The term 'high performing State' means, with respect to a measure and a bonus year, an eligible State whose score assigned pursuant to subparagraph (D)(i) with respect to the measure for the fiscal year immediately preceding the bonus year equals or exceeds the performance threshold prescribed under subparagraph (D)(ii) with respect to the measure for such preceding fiscal year.

"(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 2003 through 2008 $1,670,000,000 for grants under this paragraph.".

(f) ELIMINATION OF WELFARE-TO-WORK GRANTS.—

(1) IN GENERAL.—

(A) GRANTS TO STATES.—Section 403(a) (42 U.S.C. 603(a)) is amended by striking paragraph (5).

(B) GRANTS TO INDIAN TRIBES.—Section 412(a) (42 U.S.C. 612(a)) is amended by striking paragraph (3).

(2) CONFORMING AMENDMENTS.—

(A) Section 413 (42 U.S.C. 613) is amended by striking subsection (j).

(B) Section 510 (42 U.S.C. 710) is repealed.

(C) Section 404(k)(1)(C) (42 U.S.C. 604(k)(1)(C)) is amended—

(i) by adding "and" at the end of clause (ii);

(ii) by striking clause (iii); and

(iii) by redesignating clause (iv) as clause (iii).

(g) 50 PERCENT FEDERAL MATCH FOR STATE FUNDING IN EXCESS OF REQUIRED MAINTENANCE OF EFFORT LEVEL.—Section 403(a) (42 U.S.C. 603(a)), as amended by subsection (e)(1)(A) of this section, is amended by adding at the end the following:

"(5) MATCHING GRANTS FOR STATE EXPENDITURES EXCEEDING REQUIRED MAINTENANCE OF EFFORT LEVEL.—

"(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary for a fiscal year a grant in an amount equal to the amount (if any) by which the total of the qualified State expenditures (as defined in section 409(a)(7)(B)(i)) for the fiscal year exceeds the applicable percentage (as defined in section 409(a)(7)(B)(ii)) of historic State expenditures (as defined in section 409(a)(7)(B)(iii)) with respect to the fiscal year.

"(B) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated such sums as are necessary for grants under this section for fiscal years 2003 through 2008.".

(h) CONTINGENCY FUND.—

(1) IN GENERAL.—Section 403(b) (42 U.S.C. 603(b)) is amended by striking paragraphs (2) through (7) and inserting the following:

"(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 1997 through 2008 such sums as are necessary for grants under this section for the fiscal year.

"(3) GRANTS.—The Secretary shall make a grant to a needy State, for each eligible month with respect to the State, in an amount equal to the amount described in paragraph (6).

"(4) NEEDY STATE.—A State is a needy State for purposes of this paragraph if—

"(A) the rate of total unemployment in the State (seasonally adjusted) for the most recent month for which such information is available—

"(i) is at least 5.5 percent; or

"(ii) has increased by the lesser of 50 percent, or 1.5 percentage points, over the lesser of the average rate of total unemployment in the State (seasonally adjusted) for the preceding fiscal year or such average rate for the 2nd preceding fiscal year; or

"(B) the number of families participating in eligible State programs is at least 10 percent greater than the average monthly number of families who participated in the programs during the 2 consecutive calendar quarters of the then most recent 8 such quarters in which such average monthly number was the least.

"(5) ELIGIBLE MONTH.—In paragraph (3), the term 'eligible month' means, with respect to a State, any month for which the State is a needy State, and each subsequent month until—

"(A) 3 months has elapsed since the end of the most recent month in which the 3-month moving average of the rate of total unemployment in the State (seasonally adjusted) was less than the monthly unemployment rate in the State in the most recent month in which the State became (or, in the absence of paragraph (4)(B), would have become) a needy State by reason of paragraph (4)(A); and

"(B) 4 months has elapsed since the end of the most recent month in which the number of families participating in eligible State programs was at least as great as the number of families so participating in the most recent

month in which the State became (or, in the absence of paragraph (4)(A), would have become) a needy State by reason of paragraph (4)(B).

"(6) GRANT AMOUNT.—The amount described in this paragraph with respect to a State is an amount equal to 110 percent of—

"(A) 80 percent of the average total amount expended by the State under all eligible State programs in the 2 consecutive calendar quarters of the then most recent 8 such quarters in which the average monthly number of families participating in the programs was the least; multiplied by

"(B) the percentage by which the monthly number of families participating in eligible State programs has increased over the average monthly number of families so participating during the 2 consecutive quarters referred to in subparagraph (A).

"(7) ELIGIBLE STATE PROGRAM DEFINED.—In this subsection, the term 'eligible State program' means, with respect to a State, any program under which a State expenditure could be considered a qualified State expenditure (as defined in section 409(a)(7)(B)(i)).".

(2) EASING OF RELATED MAINTENANCE OF EFFORT REQUIREMENT.—Section 409(a)(10) (42 U.S.C. 609(a)(10)) is amended by striking "100 percent" and inserting "the applicable percentage (as defined in paragraph (7)(B)(ii) of this subsection)".

(i) FEDERAL LOANS FOR STATE WELFARE PROGRAMS.—Section 406 (42 U.S.C. 606) is amended—

(1) in subsection (d), by striking "10" and inserting "20"; and

(2) in subsection (e), by striking "$1,700,000,000" and inserting "$2,000,000,000".

(j) GRANTS FOR INDIAN TRIBES.—Paragraphs (1)(A) and (2)(A) of section 412(a) (42 U.S.C. 612(a)(1)(A), (2)(A)) are each amended by striking "1997, 1998, 1999, 2000, 2001, and 2002" and inserting "1997 through 2008".

(k) STUDIES AND DEMONSTRATIONS.—Section 413(h)(1) (42 U.S.C. 613(h)(1)) is amended by striking "2002" and inserting "2008".

(l) STUDY BY THE CENSUS BUREAU.—Section 414(b) (42 U.S.C. 614(b)) is amended by striking "1996, 1997, 1998, 1999, 2000, 2001, and 2002" and inserting "1996 through 2008".

(m) CHILD CARE ENTITLEMENT.—Section 418(a)(3) (42 U.S.C. 618(a)(3) is amended—

(1) by striking "and" at the end of subparagraph (E);

(2) by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(G) $5,300,333,333 for fiscal year 2003;

"(H) $5,400,333,333 for fiscal year 2004;

"(I) $5,500,333,333 for fiscal year 2005;

"(J) $5,700,333,333 for fiscal year 2006;

"(K) $5,900,333,333 for fiscal year 2007; and

"(L) $6,050,333,333 for fiscal year 2008.".

SEC. 104. USE OF FUNDS.

(a) ELIMINATION OF AUTHORITY TO TREAT INTERSTATE IMMIGRANTS UNDER RULES OF FORMER STATE.—Section 404 (42 U.S.C. 604) is amended by striking subsection (c).

(b) MODIFICATIONS TO INDIVIDUAL DEVELOPMENT ACCOUNTS.—Section 404(h) (42 U.S.C. 604(h)) is amended—

(1) in paragraph (2), by striking subparagraph (C) and redesignating subparagraph (D) as subparagraph (C);

(2) in paragraph (5)(A), by adding at the end the following:

"(iii) An institution that offers a course of study leading to adult literacy, in English as a second language, or a certificate of high school equivalency."; and

(3) in paragraph (5)(F), by striking "and inventory" and inserting "inventory, and transportation".

(c) CONFORMING AMENDMENTS.—Section 404 (42 U.S.C. 404) is amended by striking subsections (i) and (j) and redesignating subsection (k) as subsection (i).

TITLE II—WORK REQUIREMENTS

SEC. 201. REDUCED WORK REQUIREMENT FOR PARENTS OF SCHOOL-AGE CHILDREN WHO CANNOT FIND ADEQUATE CHILD CARE.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)) is amended by adding at the end the following:

"Notwithstanding the preceding sentence, the maximum average number of hours per week shall be 20 for any week in which the recipient is the parent or caretaker relative of a child who has attained 6 years of age and does not have meaningful access to safe, appropriate, affordable, and quality after-school or summer care for the child.".

SEC. 202. CONFORMING THE NUMBER OF WEEKS TO THE UNEMPLOYMENT INSURANCE COMPENSATION STANDARD.

Section 407(c)(2)(A)(i) (42 U.S.C. 607(c)(2)(A)(i)) is amended by striking "6 weeks" and inserting "12 weeks".

SEC. 203. REVISION OF WORK ACTIVITIES.

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

(1) by striking paragraph (4) and inserting the following:

"(4) transitional work experience leading to jobs that provide an income of not less than 250 percent of the poverty line;";

(2) by striking paragraph (7) and inserting the following:

"(7) voluntary participation in a community service program;";

(3) in paragraph (8), by striking "(not to exceed 12 months with respect to any individual)"; and

(4) by striking paragraphs (10) through (12) and inserting the following:

"(10) participation in a State or Federal work-study program under part C of title IV of the Higher Education Act of 1965;";

"(11) education, including not more than 6 hours of home study per week, in the case of a recipient who is enrolled—

"(A) at an elementary or secondary school (as defined in the Elementary and Secondary Education Act of 1965);

"(B) in a course of study leading to adult literacy, English as a second language, or a certificate of high school equivalency; or

"(C) at an institution of higher education (as defined in section 102 of the Higher Education Act of 1965), regardless of the content of the course of study;

"(12) the provision of appropriate care to a child who has a disability or a serious health condition (as defined in section 101(11) of the Family Medical Leave Act) or has not attained 6 years of age, by a recipient who is a parent or caretaker relative of the child; and

"(13) participation in treatment or an educational activity designed to address a mental health problem, disability, substance abuse, or domestic or sexual violence.".

(b) CONFORMING AMENDMENTS.—Section 407 of such Act (42 U.S.C. 607) is amended—

(1) in subsection (b), by striking paragraph (5); and

(2) in subsection (c)—

(A) in each of subparagraphs (A) and (B)(i) of paragraph (1), by striking "not fewer than" and all that follows through "subsection (d),";

(B) in paragraph (1)(B)(ii), by striking "not fewer than" and all that follows through "subsection (d)"; and

(C) in paragraph (2), by striking subparagraph (D).

SEC. 204. PENALTIES AGAINST INDIVIDUALS FOR UNJUSTIFIED REFUSAL TO WORK; ADDITIONAL JUSTIFICATIONS.

(a) IN GENERAL.—Section 407(e) (42 U.S.C. 607(e)) is amended—

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

"(1) IN GENERAL.—Except as otherwise provided in this subsection, if an individual in a family receiving assistance under the State program funded under this part refuses to engage in work required in accordance with this section, the State shall, subject to such good cause and other exceptions as the State may establish, reduce the amount of assistance otherwise payable to the family on a pro rata basis, but to not less than the amount that would be payable to a family with the same number of children but with no adults, with respect to any period during a month in which the individual so refuses.";

(2) in paragraph (2)—

(A) by striking "EXCEPTION" and inserting "CHILD CARE EXCEPTION"; and

(B) by striking "proves that the individual has a demonstrated inability (as determined by the State)" and inserting "certifies that the individual is unable"; and

(3) by adding at the end the following:

"(3) ADDITIONAL CHILD CARE EXCEPTIONS.—Notwithstanding paragraph (1), a State may not reduce or terminate assistance under the State program funded under this part based on a refusal of an individual to engage in work required in accordance with this section if the individual is a custodial parent or caretaker relative caring for—

"(A) a child who has a disability or a serious health condition (as defined in section 101(11) of the Family Medical Leave Act), and the individual does not have meaningful access to safe, appropriate, affordable, and quality care for the child; or

"(B) a child who has attained 6 years of age, and the individual does not have meaningful access to safe, appro-

priate, affordable, and quality after-school or summer care for the child.

"(4) MENTAL HEALTH PROBLEM, DISABILITY, SUBSTANCE ABUSE, OR DOMESTIC OR SEXUAL VIOLENCE EXCEPTION.—Notwithstanding paragraph (1), a State may not reduce or terminate assistance under the State program funded under this part based on the failure of any individual who has a mental health problem, disability, or substance abuse problem, or who is a victim of sexual or domestic violence to engage in work required in accordance with this section if—

"(A) the individual is in the process of being screened or assessed for the mental health problem, disability, substance abuse problem, or sexual or domestic violence situation but the screening or assessment has not been completed;

"(B) the individual has not been offered treatment to address the problem or disability; or

"(C) the individual cannot comply because of the need to seek medical, legal, or other services in relation to the mental health problem, disability, or sexual or domestic violence situation.

"(5) MINIMUM WAGE EXCEPTION.—Notwithstanding paragraph (1), a State may not impose a sanction under the State program funded under this part on the basis of the refusal of an individual to accept any employment (including any employment offered under the program), if the wage rate for the employment does not equal or exceed the greater of—

"(A) the minimum wage rate then in effect under section 6 of the Fair Labor Standards Act of 1938; or

"(B) any minimum wage rate prescribed by or under the law of the State.

"(6) DISCRIMINATION EXCEPTION.—

"(A) IN GENERAL.—Notwithstanding paragraph (1), a State may not reduce or terminate assistance under the State program funded under this part based on the failure of any individual to engage in work required in accordance with this section if the individual certifies in a manner described in subparagraph (B) that the individual has left or refused work based on discrimination.

"(B) CERTIFICATION.—An individual may provide a certification required by subparagraph (A) by sworn written statement or by providing other documentation, including a police or court record or documentation by a shelter worker, an employee of a victim assistance program, an attorney, a member of the clergy, or a medical or other professional from whom the individual has sought assistance as a victim.".

(b) CONFORMING AMENDMENTS.—Section 409(a)(11) (42 U.S.C 609(a)(11)) is amended—

(1) in the paragraph heading, by striking "WHO CANNOT OBTAIN CHILD CARE FOR CHILD UNDER AGE 6" and inserting "WITH JUSTIFIED REFUSAL TO WORK"; and

(2) in subparagraph (A), by striking "407(e)(2)" and inserting "407(e)".

SEC. 205. ELIMINATION OF MISCELLANEOUS PROVISIONS.

Section 407 (42 U.S.C. 607) is amended by striking subsections (g), (h), and (i).

SEC. 206. ASSESSMENT OF INDIVIDUALS FOR JOB PREPARATION.

Section 407 (42 U.S.C. 607), as amended by section 205 of this Act, is amended by adding at the end the following:

"(g) ASSESSMENT OF INDIVIDUALS FOR JOB PREPARATION.—At the option of a recipient of assistance under a State program funded under this part, the State shall, before assigning the recipient to a work activity under the program, perform an individual assessment for the preparation that is needed for the recipient to obtain and maintain a job at a monthly wage that is at least 200 percent of the poverty line applicable to the family of the recipient.".

TITLE III—PROHIBITIONS; REQUIREMENTS

SEC. 301. REPLACEMENT OF REQUIREMENT TO SANCTION INDIVIDUAL FOR NONCOOPERATION IN ESTABLISHING PATERNITY OR OBTAINING CHILD SUPPORT WITH PROHIBITION ON REQUIRING SUCH COOPERATION.

(a) IN GENERAL.—Section 408(a)(2) (42 U.S.C. 608(a)(2)) is amended to read as follows:

"(2) PROHIBITION ON REQUIRING COOPERATION IN ESTABLISHING PATERNITY OR OBTAINING CHILD SUPPORT.—A State to which a grant is made under section 403 shall not penalize an individual under the State program funded under this part by reason of the failure of the individual to cooperate in establishing paternity or establishing, modifying, or enforcing a child support order with respect to a child of the recipient.".

(b) CONFORMING AMENDMENTS.—Section 454(29) (42 U.S.C. 654(29)) is amended—

(1) by striking "the State program funded under part A," each place it appears; and

(2) in subparagraph (A)(i), by striking "E," and inserting "E".

SEC. 302. PROHIBITION ON REQUIRING ASSIGNMENT OF SUPPORT RIGHTS TO THE STATE; RETURN OF SUPPORT RIGHTS ASSIGNED TO THE STATE.

(a) IN GENERAL.—Section 408(a)(3) (42 U.S.C. 608(a)(3)) is amended to read as follows:

"(3) PROHIBITION ON REQUIRING ASSIGNMENT OF SUPPORT RIGHTS TO THE STATE; REQUIREMENT TO RETURN SUPPORT RIGHTS ASSIGNED TO THE STATE.—A State to which a grant is made under section 403 shall not penalize an individual or family under the State program funded under this part by reason of the failure of the individual to assign to the State any rights any person may have (on behalf of the person or of any other person for whom the individual has applied for or is receiving assistance) to support from any other person. If any person has assigned any such rights to the State, the State shall assign such rights back to the person.".

(b) CONFORMING AMENDMENTS.—

(1) Section 452 (42 U.S.C. 652) is amended—

(A) in subsection (a)(10)(C), by striking "pursuant to section 408(a)(3) or"; and

(B) in subsection (h), by striking "or with respect to whom an assignment pursuant to section 408(a)(3) is in effect".

(2) Section 454(5) (42 U.S.C. 654(5)) is amended by striking "(A)" and all that follows through "(B)".

(3) Section 456(a)(1) (42 U.S.C. 656(a)(1)) is amended by striking "assigned to the State pursuant to section 408(a)(3) or".

(4) Section 464(a)(1) (42 U.S.C. 664(a)(1)) is amended by striking "section 408(a)(3) or".

(5) Section 466(a)(3)(B) (42 U.S.C. 666(a)(3)(B)) is amended by striking "section 408(a)(3) or".

SEC. 303. ELIMINATION OF SANCTION AGAINST TEENAGE PARENTS NOT ATTENDING HIGH SCHOOL OR OTHER EQUIVALENT TRAINING PROGRAM.

Section 408(a) (42 U.S.C. 608(a)) is amended by striking paragraph (4).

SEC. 304. REQUIREMENTS RELATING TO DISREGARD OF CHILD SUPPORT.

(a) IN GENERAL.—Section 408(a) (42 U.S.C. 608(a)), as amended by section 303 of this Act, is amended by inserting after paragraph (3) the following:

"(4) LIMITED DISREGARD OF CHILD SUPPORT.—In determining the amount and type of assistance for which a family is eligible under the State program funded under this part, a State to which a grant is made under section 403 shall disregard—

"(A) the first $200 (or, if the family includes 2 or more children, $400) per month distributed to any family member by the State under section 457; and

"(B) all child support (as defined in section 459(i)(2)) received by any family member from any other source.".

(b) REQUIREMENT TO PASS THROUGH ALL CHILD SUPPORT.—

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

"SEC. 457. DISTRIBUTION OF COLLECTED CHILD SUPPORT.

"(a) IN GENERAL.—Except as provided in subsection (b), all amounts collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed to the family.

"(b) EXCEPTION.—In the case of an amount collected for a family in accordance with a cooperative agreement under section 454(33), the State shall distribute the amount pursuant to the agreement.".

(2) CONFORMING AMENDMENTS.—

(A) Section 409(a)(7)(B)(i)(I)(aa) (42 U.S.C. 609(a)(7)(B)(i)(I)(aa)) is amended by striking "457(a)(1)(B)" and inserting "457".

(B) Section 454B(c)(1) (42 U.S.C. 654b(c)(1)) is amended by striking "457(a)" and inserting "457".

SEC. 305. ELIMINATION OF SANCTION AGAINST TEENAGE PARENTS NOT LIVING IN ADULT-SUPERVISED SETTINGS.

Section 408(a) (42 U.S.C. 608(a)) is amended by striking paragraph (5).

SEC. 306. PROTECTION FOR CHILDREN BORN INTO POVERTY.

Section 408(a) (42 U.S.C. 608(a)), as amended by section 305 of this Act, is amended by inserting after paragraph (4) the following:

"(5) PROTECTION FOR CHILDREN.—A State to which a grant is made under section 403 shall not deny or limit assistance to a child born into a family receiving assistance under the State program funded under this part.".

SEC. 307. 5-YEAR TIME LIMIT.

(a) REMOVAL OF LIMITATIONS.—

(1) ELIMINATION OF LIMITATION ON HARDSHIP EXCEPTION.—Section 408(a)(7)(C) (42 U.S.C. 608(a)(7)(C)) is amended by striking clause (ii) and redesignating clause (iii) as clause (ii).

(2) COMPLIANCE EXCEPTION.—Section 408(a)(7) (42 U.S.C. 608(a)(7)) is amended by adding at the end the following:

"(H) COMPLIANCE EXCEPTION.—In determining the number of months for which an individual has received assistance under the State program funded under this part, the State shall disregard any month throughout which the individual is in compliance with all applicable requirements of the State program.".

(b) UNIFORM DURATION OF ASSISTANCE.—Section 408(a)(7)(E) (42 U.S.C. 608(a)(7)(E)) is amended to read as follows:

"(E) REQUIREMENT TO PROVIDE ASSISTANCE FOR 5 YEARS.—Notwithstanding section 407(e), a State to which a grant is made under section 403 shall not impose a limitation of fewer than 60 months on the period for which a recipient is eligible for assistance under the State program funded under this part.".

(c) PROTECTION AGAINST RECESSION.—Section 408(a)(7) (42 U.S.C. 608(a)(7)), as amended by subsection (a)(2) of this section, is amended by adding at the end the following:

"(I) SPECIAL RULES RELATING TO MONTH IN WHICH UNEMPLOYMENT IS HIGH OR HAS INCREASED SHARPLY OVER PRIOR 2 YEARS.—

"(i) CLOCK STOPPED FOR CURRENT RECIPIENTS.—In determining the number of months for which an individual has received assistance under the State program funded under this part, the State shall disregard any month that is a trigger month.

"(ii) TREATMENT OF FORMER RECIPIENTS WHO REACHED TIME LIMIT.—

"(I) NOTICE; DETERMINATION OF ELIGIBILITY.—On the occurrence of a trigger month, the State shall—

"(aa) issue a public notice that a trigger month has occurred; and

"(bb) on request of an individual who had become ineligible for assistance under the State program funded under this part by reason of this paragraph, determine the eligibility of the individual for such assistance as if the individual had received such assistance for 59 months.

"(II) ADDITIONAL MONTH OF ASSISTANCE FOR OTHERWISE ELIGIBLE FORMER RECIPIENTS.—If the

individual is so determined to be eligible for such assistance, the State shall, notwithstanding subparagraph (A), provide such assistance to the individual for any month that is a trigger month, but shall not provide such assistance to the individual for any month that is not a trigger month.

"(iii) TRIGGER MONTH.—In this subparagraph, the term 'trigger month' means, with respect to a State, any month for which the unemployment rate of the State—

"(I) is at least 5.5 percent; or

"(II) has increased by the lesser of 50 percent, or 1.5 percentage points, over the lesser of the average rate of total unemployment in the State (seasonally adjusted) for the preceding fiscal year or the average unemployment rate of the State for the 2nd preceding fiscal year.".

SEC. 308. REQUIREMENT TO PROVIDE NOTICE OF RIGHTS OF RECIPIENTS, AND TRAIN PROGRAM PERSONNEL IN CARRYING OUT PROGRAM CONSISTENT WITH THE RIGHTS.

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

"(12) REQUIREMENT TO PROVIDE NOTICE OF RIGHTS OF RECIPIENTS, AND TRAIN PROGRAM PERSONNEL TO CARRY OUT PROGRAM CONSISTENT WITH THE RIGHTS.—A State to which a grant is made under section 403 shall—

"(A) notify each recipient of assistance under the program of the rights of recipients under all laws applicable to the activities of the State program funded under this part, and shall provide the notice—

"(i) to a recipient when the recipient enters the program;

"(ii) to all such recipients on a semiannual basis; and

"(iii) orally and in writing, in the native language of the recipient and at a 6th grade level, and if the native language is not English, a culturally competent translation shall be provided; and

"(B) train all program personnel on a regular basis in how to carry out the program consistent with the rights.".

SEC. 309. REQUIREMENT TO PROVIDE INFORMATION TO INDIVIDUALS WHO ARE, OR ARE AT RISK OF BEING, SANCTIONED.

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

"(13) STATE REQUIRED TO PROVIDE INFORMATION TO INDIVIDUAL WHO HAS BEEN, OR IS AT RISK OF BEING SANCTIONED.—A State to which a grant is made under section 403 shall provide to any individual who has been, or is at risk of being, sanctioned under the State program funded under this part, orally and in writing, at not more than a 6th grade level in the native language of the individual (and if the native language is not English, a culturally competent translation shall be provided), that—

"(A) program requirements may be waived for people dealing with a mental health, disability, substance abuse, domestic violence, or sexual assault issue;

"(B) an individual dealing with a mental health, disability, substance abuse, domestic violence, or sexual assault issue may request (or if the individual has left or been removed from the program, may return to the program and request) to be assessed under the program for services to address those issues, including appropriate treatment, counseling, vocational rehabilitation, job training, or other services; and

"(C) the State is required to keep any such information strictly confidential.".

SEC. 310. BAN ON COUNTING INCOME, SCHOLARSHIP, OR GIFT RECEIVED BY DEPENDENT MINORS.

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

"(14) PROHIBITION ON COUNTING INCOME, SCHOLARSHIP, OR GIFT RECEIVED BY DEPENDENT MINOR.—In determining the eligibility of a family for, and the amount and type of assistance to be provided to a family under, a State program funded under this part, the State shall disregard any income, scholarship, or gift received by a dependent minor child in the family.".

SEC. 311. BAN ON DIVERSION OF POTENTIAL APPLICANTS FOR ASSISTANCE.

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

"(15) BAN ON DIVERSION OF POTENTIAL APPLICANTS FOR ASSISTANCE.—A State may not refuse to accept, at the time of application, an application for assistance from the State program funded under this part, or give an individual reason to believe that, at the time of application, the State will not unconditionally accept such an application from any individual.".

SEC. 312. PROHIBITION ON REQUIRING RECIPIENTS TO RESPOND TO SURVEYS CONDUCTED TO OBTAIN INFORMATION FOR QUARTERLY REPORTS.

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

"(16) PROHIBITION ON REQUIRING RECIPIENTS TO RESPOND TO SURVEYS CONDUCTED TO OBTAIN INFORMATION FOR QUARTERLY REPORTS.—A State to which a grant is made under section 403 shall not penalize an individual under the State program funded under this part by reason of the failure of the individual to respond to a survey conducted to obtain information for use in a report required by section 411(a).".

SEC. 313. CONFIDENTIALITY OF PROGRAM INFORMATION.

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

"(17) CONFIDENTIALITY OF PROGRAM INFORMATION.—A State to which a grant is made under section 403 shall ensure that any information provided by an individual to a State officer or employee for use by the State program funded under this part shall not be disclosed to any other person, except to the extent

that the disclosure is necessary to administer the program or is consented to by the individual.".

SEC. 314. NONDISCRIMINATION.

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

"(18) NONDISCRIMINATION.—A State to which a grant is made under section 403 shall ensure equitable treatment of needy families in the State, and shall not discriminate among families based on marital status or applicant or recipient status.".

SEC. 315. REQUIREMENT TO PROVIDE OPPORTUNITY TO APPEAL ADVERSE DECISION.

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

"(19) REQUIREMENT TO PROVIDE OPPORTUNITY TO APPEAL ADVERSE DECISION.—A State to which a grant is made under section 403 shall provide a recipient of assistance under the State program funded under this part with the opportunity to appeal any adverse decision made with respect to the recipient under the program.".

SEC. 316. CLARIFICATION OF PENALTY FOR FAILURE TO COMPLY WITH INDIVIDUAL RESPONSIBILITY PLAN.

Section 408(b)(3) (42 U.S.C. 608(b)(3)) is amended by striking "a family that includes".

SEC. 317. APPLICABILITY OF CIVIL RIGHTS LAWS.

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

(1) in paragraph (3), by inserting ", or any provision of State law relating to individuals with physical or mental disabilities" before the 2nd period; and

(2) by adding at the end the following:

"(5) Title VII of the Civil Rights Act of 1964 (42 U.S.C. 2000e et seq.), or any provision of State law relating to discrimination on the basis of race, color, national origin, religion, gender, sex, parental or marital status, or sexual orientation.

"(6) The Age Discrimination in Employment Act of 1967 (29 U.S.C. 621–634), or any provision of State law relating to age discrimination.

"(7) Title IX of the Education Amendments of 1972 (20 U.S.C. 1681 et seq.), or any provision of State law relating to discrimination in education.

"(8) The Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.), or any provision of State law relating to labor or to a term or condition of employment.

"(9) The Occupational Safety and Health Act of 1970 (29 U.S.C. 651 et seq).

"(10) The National Labor Relations Act (29 U.S.C. 151 et seq.).

"(11) The Railway Labor Act (45 U.S.C. 151 et seq.).

"(12) Any Federal law providing employee protections against discrimination for union activity.

"(13) Any other provision of Federal or State law the purpose of which is to provide or protect a civil right.".

SEC. 318. ELIMINATION OF SPECIAL RULES RELATING TO TREATMENT OF ALIENS.

(a) AMENDMENTS TO THE PERSONAL RESPONSIBILITY AND WORK OPPORTUNITY RECONCILIATION ACT OF 1996.—

(1) Section 401(c)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1611(c)(2)) is amended—

(A) by striking "or" at the end of subparagraph (B);

(B) by striking the period at the end and inserting "; or"; and

(C) by adding at the end the following:

"(D) to any assistance provided under a State program funded under the program of block grants to States for temporary assistance for needy families under part A of title IV of the Social Security Act.".

(2)(A) Section 402(b)(3) of such Act (8 U.S.C. 1612(b)(3)) is amended by striking subparagraph (A) and redesignating subparagraphs (B) and (C) as subparagraphs (A) and (B), respectively.

(B) Section 402(b)(2)(A)(ii) of such Act (8 U.S.C. 1612(b)(2)(A)(ii)) is amended by striking "(C)" and inserting "(B)".

(3) Section 403(c)(2) of such Act (8 U.S.C. 1613(c)(2)) is amended by adding at the end the following:

"(L) Assistance under a State program funded under the program of block grants to States for temporary assistance for needy families under part A of title IV of the Social Security Act.".

(4) Section 423(d) of such Act (8 U.S.C. 1183a note) is amended by adding at the end the following:

"(12) Assistance under a State program funded under the program of block grants to States for temporary assistance for needy families under part A of title IV of the Social Security Act.".

(b) CONFORMING AMENDMENTS.—

(1) Section 408 (42 U.S.C. 608) is amended by striking subsections (e) and (f) and by redesignating subsection (g) as subsection (e).

(2) Section 409(a)(7)(B)(i)(IV) (42 U.S.C. 609(a)(7)(B)(i)(IV)) is amended—

(A) by striking "part," and inserting "part and"; and

(B) by striking ", and families of aliens lawfully present in the United States that would be eligible for such assistance but for the application of title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996".

TITLE IV—PENALTIES

SEC. 401. INCREASE IN PENALTY FOR FAILURE TO SUBMIT REQUIRED REPORT.

Section 409(a)(2)(A) (42 U.S.C. 609(a)(2)(A)) is amended by striking "4" and inserting "5".

SEC. 402. REPLACEMENT OF PENALTY AGAINST STATE FOR FAILURE TO COMPLY WITH PATERNITY ESTABLISHMENT AND CHILD SUPPORT ENFORCEMENT REQUIREMENTS WITH PENALTY FOR REQUIRING COOPERATION IN ESTABLISHING PATERNITY OR OBTAINING CHILD SUPPORT (INCLUDING ASSIGNING SUPPORT RIGHTS TO THE STATE) OR FAILING TO RETURN SUPPORT RIGHTS ASSIGNED TO THE STATE.

Section 409(a)(5) (42 U.S.C. 609(a)(5)) is amended to read as follows:

"(5) PENALTY FOR REQUIRING COOPERATION IN ESTABLISHING PATERNITY OR OBTAINING CHILD SUPPORT (INCLUDING ASSIGNING SUPPORT RIGHTS TO THE STATE) OR FAILING TO RETURN SUPPORT RIGHTS ASSIGNED TO THE STATE.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated paragraph (2) or (3) of section 408(a) 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 5 percent of the State family assistance grant.".

SEC. 403. EXTENSION OF MAINTENANCE OF EFFORT REQUIREMENT.

Section 409(a)(7)(A) (42 U.S.C. 609(a)(7)(A)) is amended by striking "or 2003" and inserting "2003, 2004, 2005, 2006, 2007, or 2008".

SEC. 404. PENALTY FOR FAILURE OF STATE TO COMPLY WITH CHILD SUPPORT DISREGARD REQUIREMENTS.

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

"(15) PENALTY FOR FAILURE TO COMPLY WITH CHILD SUPPORT DISREGARD REQUIREMENTS.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(4) 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 5 percent of the State family assistance grant.".

SEC. 405. PENALTY FOR PENALIZING BIRTH OF CHILD.

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

"(16) PENALTY FOR PENALIZING BIRTH OF CHILD.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(5) 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 5 percent of the State family assistance grant.".

SEC. 406. PENALTY FOR FAILURE TO NOTIFY RECIPIENTS OF RIGHTS, OR TRAIN PROGRAM PERSONNEL IN RESPECTING RIGHTS OF RECIPIENTS.

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

"(17) PENALTY FOR FAILURE TO NOTIFY RECIPIENTS OF RIGHTS, OR TRAIN PROGRAM PERSONNEL IN RESPECTING RIGHTS OF RECIPIENTS.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(12) 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 5 percent of the State family assistance grant.".

SEC. 407. PENALTY FOR FAILURE TO PROVIDE INFORMATION TO INDIVIDUALS WHO ARE, OR ARE AT RISK OF BEING, SANCTIONED.

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

"(18) PENALTY FOR FAILURE TO PROVIDE INFORMATION TO INDIVIDUAL WHO HAS BEEN, OR IS AT RISK OF BEING SANCTIONED.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(13) 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 5 percent of the State family assistance grant.".

SEC. 408. PENALTY FOR COUNTING INCOME, SCHOLARSHIP, OR GIFT RECEIVED BY DEPENDENT MINOR.

Section 409(a) (42 U.S.C. 608(a)) is amended by adding at the end the following:

"(19) PENALTY FOR COUNTING INCOME, SCHOLARSHIP, OR GIFT RECEIVED BY DEPENDENT MINOR.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(14) 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 5 percent of the State family assistance grant.".

SEC. 409. PENALTY FOR DIVERTING POTENTIAL APPLICANT FOR ASSISTANCE.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(20) PENALTY FOR DIVERTING POTENTIAL APPLICANT FOR ASSISTANCE.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(15) 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 5 percent of the State family assistance grant.".

SEC. 410. PENALTY FOR REQUIRING RECIPIENT TO RESPOND TO SURVEY CONDUCTED TO OBTAIN INFORMATION FOR QUARTERLY REPORT.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(21) PENALTY FOR REQUIRING RECIPIENT TO RESPOND TO SURVEY CONDUCTED TO OBTAIN INFORMATION FOR QUARTERLY REPORT.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(16) 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 5 percent of the State family assistance grant.".

SEC. 411. PENALTY FOR UNAUTHORIZED DISCLOSURE OF INFORMATION PROVIDED BY RECIPIENT.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(22) PENALTY FOR UNAUTHORIZED DISCLOSURE OF INFORMATION PROVIDED BY RECIPIENT.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(17) 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 5 percent of the State family assistance grant.".

SEC. 412. PENALTY FOR DISCRIMINATION.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(23) PENALTY FOR DISCRIMINATION.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(18) 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 5 percent of the State family assistance grant.".

SEC. 413. PENALTY FOR FAILURE TO PROVIDE OPPORTUNITY TO APPEAL ADVERSE DECISION.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(24) PENALTY FOR FAILURE TO PROVIDE OPPORTUNITY TO APPEAL ADVERSE DECISION.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(19) 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 5 percent of the State family assistance grant.".

SEC. 414. PENALTY FOR FAILURE TO COMPLY WITH MINIMUM BENEFIT RULES.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(25) PENALTY FOR FAILURE TO COMPLY WITH MINIMUM BENEFIT RULES.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 417 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 5 percent of the State family assistance grant.".

SEC. 415. PENALTY FOR FAILURE TO PROVIDE INDIVIDUAL CHILD CARE ENTITLEMENT.

Section 409(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

"(26) PENALTY FOR FAILURE TO PROVIDE INDIVIDUAL CHILD CARE ENTITLEMENT.—Effective January 1, 2005, if the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 418(b) 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 5 percent of the State family assistance grant.".

SEC. 416. FAILURE TO SUBMIT REPORT ON WELFARE ACCESS AND OUTCOMES.

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

"(27) FAILURE TO SUBMIT REPORT ON WELFARE ACCESS AND OUTCOMES.—If the Secretary determines that a State has not, within 45 days after the end of a fiscal year, submitted the report required by section 411(c) for 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 5 percent of the State family assistance grant.".

SEC. 417. ELIMINATION OF REASONABLE CAUSE EXCEPTION.

Section 409 (42 U.S.C. 609) is amended by striking subsection (b).

SEC. 418. MODIFICATION OF AVAILABILITY OF CORRECTIVE COMPLIANCE PLAN OPTION.

Section 409(c)(4) (42 U.S.C. 609(c)(4)) is amended to read as follows:

"(4) LIMITATION ON OPPORTUNITY TO SUBMIT CORRECTIVE COMPLIANCE PLAN.—The preceding provisions of this subsection shall not apply with respect to a violation of a provision of this part by a State if the State has violated the provision on 2 or more prior occasions.".

SEC. 419. REPEAL OF BAN ON ASSISTANCE FOR PERSONS CONVICTED OF A DRUG FELONY.

Section 115 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (42 U.S.C. 862a) is repealed.

TITLE V—STUDIES AND REPORTS

SEC. 501. ADDITIONAL INFORMATION TO BE INCLUDED IN QUARTERLY STATE REPORTS.

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

(1) in paragraph (1)(A)—

(A) in each of clauses (vii) and (viii) by striking "race' and inserting "race, gender,";

(B) in clause (xi)(I), by inserting ", broken down by education level";

(C) by striking clause (xvi) and redesignating clause (xvii) and clause (xvi); and

(D) by adding at the end the following:

"(xvii) The amount (if any) of child support collected on behalf of any individual in the family, the amount (if any) of any such collected support that has been distributed to any such individual, and the amount (if any) of such distributed support that has been disregarded pursuant to section 408(a)(4).

"(xviii) The number of families receiving child care assistance under section 418.

"(xix) With respect to sanctions imposed under the program, the following information broken down by race and gender:

"(I) The number of families against whom a sanction is in effect.

"(II) The number of times sanctions have been imposed.

"(III) The reasons for imposition of sanctions.

"(IV) The percentage of sanction determinations that have been reviewed.

"(V) The percentage of reviewed sanction determinations that have been reversed.

"(VI) The number of families leaving the program as a result of sanctions.

"(xx) The number of families who have returned to the program after having left the program, and the length of the intervening period.

"(xxi) The percentage of families who report having been notified of the option to be assessed for and receive services to manage a barrier to escaping poverty."; and

(2) by redesignating paragraph (7) as paragraph (8) and inserting after paragraph (6) the following:

"(7) REPORT ON TRAINING.—The report required by paragraph (1) for a fiscal quarter shall include a statement of the percentage of caseworkers, supervisors, and new employees who received training to carry out the State program funded under this part during the quarter.".

SEC. 502. ELIMINATION FROM SECRETARIAL REPORT TO THE CONGRESS OF INFORMATION ON OUT-OF-WEDLOCK PREGNANCIES.

Section 411(b)(1)(B)(ii) (42 U.S.C. 611(b)(1)(B)(ii)) is amended by striking "out-of-wedlock pregnancies and".

SEC. 503. ACCESS TO WELFARE; WELFARE OUTCOMES.

Section 411 (42 U.S.C. 611) is amended by adding at the end the following:

"(c) ANNUAL REPORTS ON WELFARE ACCESS AND OUTCOMES.—

"(1) STATE REPORTS.—Not later than January 1 of each fiscal year, each eligible State shall collect and report to the Secretary, with respect to the preceding fiscal year, the following information:

"(A) The number of applications for assistance from the State program funded under this part, the percentage that are approved versus those that are disapproved, and the reasons for disapproval, broken down by race.

"(B) A copy of all rules and policies governing the State program funded under this part that are not required by Federal law, and a summary of the rules and policies, including the amounts and types of assistance provided and the types of sanctions imposed under the program.

"(C) The types of occupations of, types of job training received by, and types and levels of educational attainment of recipients of assistance from the State program funded under this part, broken down by gender and race.

"(D) The incidence of homelessness, of the use of food pantries and soup kitchens, and of the use of shelters among recipients of assistance from the State program funded under this part and among individuals to whom assistance under the State programs funded are this part has ended within the past 12 months. The information described in this subparagraph may be provided by submitting disaggregated case record information on a sample of families.

"(E) The number of individuals to whom assistance under the State program funded under this part has ended during the year, broken down by the reasons why the assistance has ended (including employment, marriage, sanction, time limit, or State policy.

"(F) The economic conditions of individuals to whom assistance under the State programs funded are this part has ended, including the types of occupations of, the duration of employment of, the income of, the benefits provided to, the types of job training received by, the types and levels of educational attainment of, and the incidence of homelessness, of the use of food pantries or soup kitchens, and of the use of shelters among, such individuals, broken down by gender and race.

"(G) The effects of applying the 5-year time limit to individuals who, in the absence of the limit, would continue to be eligible for assistance from the State program funded under this part, including the economic and social circumstances of the individuals, including income, employment, homelessness, use of food pantries or soup kitchens, and change in child custody arrangements.

"(2) USE OF SAMPLING.—A State may comply with this subsection by using a scientifically acceptable sampling method approved by the Secretary.

"(3) REPORT TO THE CONGRESS.—Not later than June 1 of each fiscal year, the Secretary shall prepare and submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, publish in the Federal Register, and make available to the public a compilation of the reports submitted pursuant to paragraph (1) for the preceding fiscal year.".

SEC. 504. ASSESSMENT OF REGIONAL ECONOMIES TO IDENTIFY HIGHER ENTRY LEVEL WAGE OPPORTUNITIES IN INDUSTRIES EXPERIENCING LABOR SHORTAGES.

Section 411 (42 U.S.C. 611) is further amended by adding at the end the following:

"(d) ASSESSMENT OF REGIONAL ECONOMIES TO IDENTIFY HIGHER ENTRY LEVEL WAGE OPPORTUNITIES IN INDUSTRIES EXPERIENCING LABOR SHORTAGES.—

"(1) IN GENERAL.—An eligible State shall conduct annually an assessment of its regional economies that are experiencing a labor shortage and that provide higher entry-level wage opportunities for job seekers pursuant to section 402(a)(8).

"(2) MATTERS TO BE ASSESSED.—

"(A) LABOR MARKET.—The assessment shall—

"(i) identify industries or occupations that have or expect to grow, that have or expect a loss of skilled workers, or that have a need for workers;

"(ii) identify the entry-level education and skills requirements for the industries or occupations that have or expect a need for workers; and

"(iii) analyze the entry-level wages and benefits in identified industries or occupations.

"(B) JOB SEEKERS.—The assessment shall create a profile of the characteristics of the unemployed and underemployed residents of the State, including educational attainment, barriers to employment, geographic concentrations, self-sufficiency needs, and access to needed support services.

"(C) EDUCATION AND TRAINING INFRASTRUCTURE.—The assessment shall create a profile of the education, training, and support services in place in the State to prepare workers for the industries or occupations identified pursuant to subparagraph (A).

"(D) ALIGNING INDUSTRIES AND JOB SEEKERS.—The assessment shall compare the characteristics of the industries or occupations identified pursuant to subparagraph (A) to the profile of the job seekers in the State and the profile of the education and training infrastructure in the State.

"(3) SHARING OF INFORMATION WITH LOCALITIES.—The State shall share with the political subdivisions of the State information obtained pursuant to this subsection regarding higher entry-wage job opportunities in industries experiencing labor shortages, and information regarding opportunities for collaboration with institutions of higher education, community-based organizations, and economic development and welfare agencies.

"(4) REPORTS OF ASSESSMENT OF REGIONAL ECONOMIES.—Each eligible state shall submit to the Secretary annually a report hat contains the annual assessment conducted pursuant to this subsection.".

SEC. 505. RESEARCH, EVALUATIONS, AND NATIONAL STUDIES.

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

(1) in subsection (a), by striking the 2nd sentence;

(2) in subsection (b)—

(A) in the subsection heading by striking "WELFARE DEPENDENCY" and inserting "POVERTY"; and

(B) in paragraph (1), by striking "welfare dependency" and inserting "poverty";

(3) by striking subsections (d), (e), (g), and (j);

(4) in subsection (h)—

(A) in paragraph (1)—

(i) in subparagraph (B), by striking welfare dependency" and inserting "poverty"; and

(ii) in subparagraph (C), by striking "(f)" and inserting "(d)"; and

(B) by adding at the end the following:

"(4) TECHNICAL ASSISTANCE IN ASSESSING REGIONAL ECONOMIES.—

"(A) IN GENERAL.—The Secretary may provide technical assistance to an eligible State to enable the State to conduct the assessments required by section 411(d).

"(B) LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—For the cost of providing technical assistance under subparagraph (A), there are authorized to be appropriated to the Secretary not more than $1,500,000 for each of fiscal years 2003 through 2008.";

(5) in subsection (i)—

(A) in paragraph (1), by adding at the end the following: "The statement shall include detailed information on the depth of child poverty in the State."; and

(B) in paragraph (5), by inserting "and the depth of child poverty" before "in the State"; and

(6) by redesignating subsections (f), (h), and (i) as subsections (d) through (f), respectively.

SEC. 506. STUDY BY THE CENSUS BUREAU.

Section 414(a) (42 U.S.C. 614(a)) is amended by striking all that follows "low-income families" and inserting a period.

TITLE VI—WAIVERS

SEC. 601. WAIVERS.

Section 415(a) (42 U.S.C. 615(a)) is amended in each of paragraphs (1)(A) and (2)(A) by striking "(determined without regard to any extensions)".

TITLE VII—REPEAL OF LIMITATION ON FEDERAL AUTHORITY.

SEC. 701. REPEAL OF LIMITATION ON FEDERAL AUTHORITY.

Section 417 (42 U.S.C. 617) is repealed.

TITLE VIII—MINIMUM BENEFIT RULES

SEC. 801. MINIMUM BENEFIT RULES.

Part A of title IV (42 U.S.C. 601–619), as amended by section 701 of this Act, is amended by inserting after section 416 the following:

"SEC. 417. MINIMUM BENEFIT RULES.

"(a) IN GENERAL.—After taking into account all costs of living and family size in each State with a program funded under this part, the Secretary shall, by regulation, prescribe a minimum cash benefit in accordance with subsection (b), which shall be payable by the State to each recipient of assistance under the program.

"(b) LIMITATION.—The minimum cash benefit prescribed for a family under subsection (a) shall be an amount that is not less than the sum of the poverty line applicable to the family, plus the amount (if any) by which the housing costs of the family exceeds 30 percent of the poverty line applicable to the family.".

TITLE IX—CHILD CARE

SEC. 901. INDIVIDUAL ENTITLEMENT TO CHILD CARE.

Section 418 (42 U.S.C. 618) is amended—

(1) by striking subsection (b) and inserting the following:

"(b) USE OF FUNDS TO PROVIDE INDIVIDUAL ENTITLEMENT TO CHILD CARE.—A State to which a grant is made under this section shall use the grant, without fiscal year limitation, only to guarantee safe, appropriate, affordable, and quality care for any child of (or with respect to whom any of the following is acting as a caretaker relative)—

"(1) any recipient of assistance under the State program funded under this part who is employed or participating in a work activity required pursuant to this part (except for full-time participation in a work activity described in section 407(d)(12)); and

"(2) any other employed individual who is a member of a family whose income is less than 250 percent of the poverty line and who, during the past 24 months, ceased to receive assistance under any State program funded under this part."; and

(2) in subsection (c), by inserting ", but subject to subsection (b) of this section" after the 1st comma.

TITLE X—DEFINITION OF POVERTY LINE

SEC. 1001. DEFINITION OF POVERTY LINE.

Section 419 (42 U.S.C. 619) is amended by adding at the end the following:

"(6) POVERTY LINE.—The term 'poverty line' has the meaning given the term in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section applicable to a family of the size involved.".

TITLE XI—SERVICE PROVIDERS

SEC. 1101. PROTECTION FOR BENEFICIARIES.

Section 104 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (42 U.S.C. 604a) is amended—

(1) in subsection (e), by striking "RIGHTS OF BENEFICIARIES OF ASSISTANCE" and inserting "PROTECTION FOR BENEFICIARIES"; and

(2) by adding at the end the following:

"(l) NO DISCRIMINATION IN HIRING WITH TAXPAYER DOLLARS.—Sections 702 and 703(e)(2) of the Civil Rights Act of 1964 shall not apply to a nongovernmental organization that receives funds under a program described in subsection (a)(2) of this section with respect to an individual who provides, or would provide, services funded in whole or in part under such a program, or individuals whose employment is, or would be, funded in whole or in part under such a program.

"(m) BENEFICIARY RIGHTS.—A nongovernmental organization that receives funds under a program funded under subsection (a)(2) may not, in providing services funded in whole or in part under such a program or engaging in outreach activities for services funded in whole or in part under such a program—

"(1) discriminate against a program beneficiary or prospective beneficiary on the basis of religion or religious belief; or

"(2) include sectarian worship, instruction or proselytization in such a program, or require or coerce a beneficiary to participate in, or be present for, sectarian worship, instruction or proselytization.".

TITLE XII—EFFECTIVE DATE

SEC. 1201. EFFECTIVE DATE.

Except as otherwise provided, this Act and the amendments made by this Act shall take effect on April 1, 2003.

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2. AN AMENDMENT TO BE OFFERED BY REPRESENTATIVE CARDIN OF MARYLAND, OR HIS DESIGNEE, DEBATABLE FOR 40 MINUTES

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Next Step in Reforming Welfare Act".

SEC. 2. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

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

TITLE I—CONTINUATION OF CERTAIN GRANTS

Sec. 101. Family assistance grants.
Sec. 102. Bonus to reward high performance States.
Sec. 103. Extension of supplemental grants.
Sec. 104. Additional grants for States with low Federal funding per poor child.
Sec. 105. Contingency Fund.
Sec. 106. Eligibility of Puerto Rico, the United States Virgin Islands, and Guam for the supplemental grant for population increases, the Contingency Fund, and mandatory child care funding.
Sec. 107. Direct funding and administration by Indian tribes.
Sec. 108. Extension of TANF program through fiscal year 2003.
Sec. 109. Matching grants for the territories.

TITLE II—POVERTY REDUCTION

Sec. 201. Additional purpose of TANF program.
Sec. 202. Child poverty reduction grants.
Sec. 203. Review and conciliation process.
Sec. 204. Replacement of caseload reduction credit with employment credit.
Sec. 205. States to receive partial credit toward work participation rate for recipients engaged in part-time work.
Sec. 206. TANF recipients who qualify for supplemental security income benefits removed from work participation rate calculation for entire year.
Sec. 207. Effective date.

TITLE III—REQUIRING AND REWARDING WORK

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

Sec. 304. Assessments for TANF recipients.
Sec. 305. Applicability of workplace laws.
Sec. 306. Work participation requirements.
Sec. 307. Hours of work-related activities.
Sec. 308. State option to require receipients to engage in work for 40 hours per week.
Sec. 309. Revision and simplification of the transitional medical assistance program (tma).
Sec. 310. Ensuring TANF funds are not used to displace public employees.
Sec. 311. Increase in funding for social services block grant.

TITLE IV—HELPING WELFARE LEAVERS CLIMB THE EMPLOYMENT LADDER

Sec. 401. State plan requirement on employment advancement.
Sec. 402. Employment Advancement Fund.
Sec. 403. Elimination of limit on number of TANF recipients enrolled in vocational education or high school who may be counted towards the work participation requirement.
Sec. 404. Counting of up to 2 years of vocational or educational training (including postsecondary education), work-study, and related internships as work activities.
Sec. 405. Limited counting of certain activities leading to employment as work activity.
Sec. 406. Clarification of authority of States to use TANF funds carried over from prior years to provide TANF benefits and services.
Sec. 407. Definition of assistance.
Sec. 408. Continuation of pre-welfare reform waivers.

TITLE V—PROMOTING FAMILY FORMATION AND RESPONSIBLE PARENTING

Sec. 501. Family Formation Fund.
Sec. 502. Distribution of child support collected by States on behalf of children receiving certain welfare benefits.
Sec. 503. Elimination of separate work participation rate for 2-parent families.
Sec. 504. Ban on imposition of stricter eligibility criteria for 2-parent families; State opt-out.
Sec. 505. Extension of abstinence education funding under maternal and child health program.

TITLE VI—RESTORING FAIRNESS FOR IMMIGRANT FAMILIES

Sec. 601. Treatment of aliens under the TANF program.
Sec. 602. Optional coverage of legal immigrants under the medicaid program and SCHIP.
Sec. 603. Eligibility of disabled children who are qualified aliens for SSI.

TITLE VII—ENSURING STATE ACCOUNTABILITY

Sec. 701. Extension of maintenance-of-effort requirement.
Sec. 702. Ban on using Federal TANF funds to replace State and local spending that does not meet the definition of qualified State expenditures.

TITLE VIII—IMPROVING INFORMATION ABOUT TANF RECIPIENTS AND PROGRAMS

Sec. 801. Extension of funding of studies and demonstrations.
Sec. 802. Longitudinal studies of employment and earnings of TANF leavers.
Sec. 803. Inclusion of disability status in information States report about TANF families.
Sec. 804. Annual report to the Congress to include greater detail about State programs funded under TANF.
Sec. 805. Enhancement of understanding of the reasons individuals leave State TANF programs.
Sec. 806. Standardized State plans.
Sec. 807. Study by the Census Bureau.
Sec. 808. Access to welfare; welfare outcomes.

TITLE IX—EFFECTIVE DATE

Sec. 901. Effective date.

SEC. 3. AMENDMENT OF SOCIAL SECURITY ACT.

Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the amendment or repeal shall be considered to be made to a section or other provision of the Social Security Act.

TITLE I—CONTINUATION OF CERTAIN GRANTS

SEC. 101. FAMILY ASSISTANCE GRANTS.

Section 403(a)(1)(A) (42 U.S.C. 603(a)(1)(A)) is amended by striking "1996" and all that follows through "2002" and inserting "2004 through 2008".

SEC. 102. BONUS TO REWARD HIGH PERFORMANCE STATES.

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

(1) in subparagraph (D), by striking "$1,000,000,000" and inserting "$1,800,000,000";

(2) in subparagraph (E), by striking "and 2003" and inserting "2003, 2004, 2005, 2006, 2007, and 2008"; and

(3) in subparagraph (F), by striking "$1,000,000,000" and inserting "$800,000,000, and for fiscal years 2004 through 2008 $1,000,000,000,".

SEC. 103. EXTENSION OF SUPPLEMENTAL GRANTS.

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

(1) in subparagraph (A)—

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

(B) by striking the period at the end of clause (ii) and inserting "; and"; and

(C) by adding at the end the following:

"(iii) for each of fiscal years 2004 through 2008, a grant in an amount equal to the amount required to be paid to the State under this paragraph in fiscal year 2001.";

(2) in subparagraph (E), by striking "1998" and all that follows and inserting "2004 through 2008 $1,597,250,000 for grants under this paragraph."; and

(3) by striking subparagraph (G).

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

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

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

"(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to a State—

"(i) for fiscal year 2004, if the State is an inadequately poverty-funded State for fiscal year 2003; and

"(ii) for any of fiscal years 2005 through 2008, if the State is an inadequately poverty-funded State for any prior fiscal year after fiscal year 2003.

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

"(i) the total amount of the grants made to the State under paragraph (1), paragraph (3), and this paragraph for the particular fiscal year, divided by the number of children in poverty in the State with respect to the particular fiscal year is less than 75 percent of the total amount of grants made to all eligible States under paragraph (1), paragraph (3), and this paragraph for the particular fiscal year, divided by the total number of children living in poverty in all eligible States with respect to the particular fiscal year; and

"(ii) the total of the amounts paid to the State under this subsection for all prior fiscal years that have not been expended by the State by the end of the preceding fiscal year is less than 50 percent of State family assistance grant for the particular fiscal year.

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

"(i) if the particular fiscal year is fiscal year 2004, an amount equal to—

"(I) the number of children in poverty in the State for the then preceding fiscal year, divided by the total number of children in poverty in all States that are inadequately poverty-funded States for the then preceding fiscal year; multiplied by

"(II) the amount appropriated pursuant to subparagraph (G) for the particular fiscal year; or

"(ii) if the particular fiscal year is any of fiscal years 2005 through 2008, an amount equal to—

"(I) the amount required to be paid to the State under this paragraph for the then preceding fiscal year; plus

"(II) if the State is an inadequately poverty-funded State for the then preceding fiscal year—

"(aa) the number of children in poverty in the State for the then preceding fiscal year, divided by the total number of children in poverty in all States that are inadequately poverty-funded States for the then preceding fiscal year; multiplied by

"(bb) the amount appropriated pursuant to subparagraph (G) for the particular fiscal year.

"(D) USE OF GRANT.—A State to which a grant is made under this paragraph shall use the grant for any purpose for which a grant made under this part may be used.

"(E) DEFINITIONS.—In this paragraph:

"(i) CHILDREN IN POVERTY.—The term 'children in poverty' means, with respect to a State and a fiscal year, the number of children residing in the State who

had not attained 18 years of age and whose family income was less than the poverty line then applicable to the family, as of the end of the fiscal year.

"(ii) POVERTY LINE.—The term 'poverty line' has the meaning given the term in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section.

"(F) FAMILY INCOME DETERMINATIONS.—For purposes of this paragraph, family income includes cash income, except cash benefits from means-tested public programs and child support payments.

"(G) APPROPRIATIONS.—

"(i) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for grants under this paragraph—

"(I) $65,000,000 for fiscal year 2004;

"(II) $130,000,000 for fiscal year 2005;

"(III) $195,000,000 for fiscal year 2006;

"(IV) $260,000,000 for fiscal year 2007; and

"(V) $325,000,000 for fiscal year 2008.

"(ii) AVAILABILITY.—Amounts made available under clause (i) shall remain available until expended.".

SEC. 105. CONTINGENCY FUND.

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

(1) in paragraph (2), by striking "1997" and all that follows and inserting "2004 through 2008 such sums as are necessary for payments under this subsection"; and

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

"(C) LIMITATION ON MONTHLY PAYMENT TO A STATE.—The total amount paid to a single State under subparagraph (A) during a fiscal year shall not exceed 20 percent of the State family assistance grant.".

(b) APPLICATION OF REGULAR MAINTENANCE OF EFFORT REQUIREMENT.—Section 409(a)(10) (42 U.S.C. 609(a)(10)) is amended by striking "100 percent of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection)" and inserting "the applicable percentage (as defined in paragraph (7)(B)(ii) of this subsection) of inflation-adjusted historic State expenditures (as defined in paragraph (7)(B)(vi) of this subsection)".

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

"(A) the average rate of total unemployment in the State (seasonally adjusted) for the period consisting of the most recent 3 months for which data are available has increased by the lesser of 1.5 percentage points or by 50 percent over the corresponding 3-month period in the preceding fiscal year; or".

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

"(B) as determined by the Secretary of Agriculture, the monthly average number of households (as of the last day of each month) that participated in the food stamp pro-

gram in the State in the then most recently concluded 3-month period for which data are available exceeds by at least 10 percent the monthly average number of households (as of the last day of each month) in the State that participated in the food stamp program in the corresponding 3-month period in the preceding fiscal year.".

(e) SIMPLIFICATION OF RECONCILIATION FORMULA.—Section 403(b)(6) (42 U.S.C. 603(b)(6)) is amended to read as follows:

"(6) ANNUAL RECONCILIATION.—

"(A) IN GENERAL.—Notwithstanding paragraph (3), if the Secretary makes a payment to a State under this subsection in a fiscal year, then the State shall remit to the Secretary, within 1 year after the end of the first subsequent period of 3 consecutive months for which the State is not a needy State, an amount equal to the amount (if any) by which—

"(i) the maintenance of effort level (as defined in subparagraph (B)(i) of this paragraph) for the fiscal year, plus the State contribution (as defined in subparagraph (B)(ii) of this paragraph) in the fiscal year; exceeds

"(ii) the qualified State expenditures (as defined in section 409(a)(7)(B)(i)) in the fiscal year.

"(B) DEFINITIONS.—In subparagraph (A):

"(i) MAINTENANCE OF EFFORT LEVEL.—The term "maintenance of effort level" means, with respect to a State and a fiscal year, an amount equal to the applicable percentage of historic State expenditures (as defined in section 409(a)(7)(B)) for the fiscal year.

"(ii) STATE CONTRIBUTION.—The term 'State contribution' means, with respect to a fiscal year—

"(I) the total amount paid to the State under this subsection in the fiscal year; multiplied by

"(II) 1 minus the greater of 75 percent or the Federal medical assistance percentage for the State (as defined in section 1905(b)), divided by the greater of 75 percent or the Federal medical assistance percentage for the State (as defined in section 1905(b)).".

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

SEC. 106. ELIGIBILITY OF PUERTO RICO, THE UNITED STATES VIRGIN ISLANDS, AND GUAM FOR THE SUPPLEMENTAL GRANT FOR POPULATION INCREASES, THE CONTINGENCY FUND, AND MANDATORY CHILD CARE FUNDING.

(a) SUPPLEMENTAL GRANT FOR POPULATION INCREASES.—

(1) IN GENERAL.—Section 403(a)(3)(D)(iii) (42 U.S.C. 603(a)(3)(D)(iii)) is amended by striking "and the District of Columbia." and inserting ", the District of Columbia, Puerto Rico, the United States Virgin Islands, and Guam. For fiscal years beginning after the effective date of this sentence, this paragraph shall be applied and administered as if the term 'State' included the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam for fiscal year 1998 and thereafter.".

(2) GRANT PAYMENT DISREGARDED FOR PURPOSES OF SECTION 1108 LIMITATION.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)) is amended by inserting ", or any payment made to the Commonwealth of Puerto Rico, the United States Virgin Islands, or Guam under section 403(a)(3)" before the period.

(b) CONTINGENCY FUND.—

(1) IN GENERAL.—Section 403(b)(7) (42 U.S.C. 603(b)(7)) is amended by striking "and the District of Columbia" and inserting ", the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam.".

(2) GRANT PAYMENT DISREGARDED FOR PURPOSES OF SECTION 1108 LIMITATION.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)), as amended by subsection (a)(2) of this section, is amended by inserting "or 403(b)" after "403(a)(3)" before the period.

(c) CHILD CARE ENTITLEMENT FUNDS.—

(1) IN GENERAL.—Section 418(d) (42 U.S.C. 618(d)) is amended by striking "and the District of Columbia" and inserting ", the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam".

(2) AMOUNT OF PAYMENT.—

(A) GENERAL ENTITLEMENT.—Section 418(a)(1) (42 U.S.C. 618(a)(1)) is amended by striking "the greater of—" and all that follows and inserting the following:

"(A) in the case of the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam, 60 percent of the amount required to be paid to the State for fiscal year 2001 under the Child Care and Development Block Grant Act of 1990; or

"(B) in the case of any other State, the greater of—

"(i) the total amount required to be paid to the State under section 403 for fiscal year 1994 or 1995 (whichever is greater) with respect to expenditures for child care under subsections (g) and (i) of section 402 (as in effect before October 1, 1995); or

"(ii) the average of the total amounts required to be paid to the State for fiscal years 1992 through 1994 under the subsections referred to in clause (i).";

(B) ALLOTMENT OF REMAINDER.—Section 418(a)(2)(B) (42 U.S.C. 618(a)(2)(B)) is amended to read as follows:

"(B) ALLOTMENTS TO STATES.—Of the total amount available for payments to States under this paragraph, as determined under subparagraph (A) of this paragraph—

"(i) an amount equal to 65 percent of the amount required to be paid to each of the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam for fiscal year 2001 under the Child Care and Development Block Grant Act of 1990, shall be allotted to the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam, respectively; and

"(ii) the remainder shall be allotted among the other States based on the formula used for determining the amount of Federal payments to each State under section 403(n) of this Act (as in effect before October 1, 1995).".

(3) GRANT PAYMENT DISREGARDED FOR PURPOSES OF SECTION 1108 LIMITATION.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)), as amended by subsections (a)(2) and (b)(2) of this section, is amended by striking "or 403(b)" and inserting ", 403(b), or 418".

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 2003, and shall apply to expenditures for fiscal years beginning with fiscal year 2004.

SEC. 107. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.

(a) TRIBAL FAMILY ASSISTANCE GRANT.—Section 412(a)(1) (42 U.S.C. 612(a)(1)) is amended by striking "1997, 1998, 1999, 2000, and 2001" and inserting "2004 through 2008".

(b) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.—Section 412(a)(2) (42 U.S.C. 612(a)(2)) is amended by striking "1997, 1998, 1999, 2000, and 2001" and inserting "2004 through 2008".

SEC. 108. EXTENSION OF TANF PROGRAM THROUGH FISCAL YEAR 2003.

Except as otherwise provided in this Act and the amendments made by this Act, activities authorized by part A of title IV of the Social Security Act, and by section 1108(b) of the Social Security Act, shall continue through September 30, 2003, in the manner authorized, and at the level provided, for fiscal year 2002.

SEC. 109. MATCHING GRANTS FOR THE TERRITORIES.

Section 1108(b)(2) (42 U.S.C. 1308(b)(2)) is amended by striking "1997 through 2002" and inserting "2004 through 2008".

TITLE II—POVERTY REDUCTION

SEC. 201. ADDITIONAL PURPOSE OF TANF PROGRAM.

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

(1) by striking "and" at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting "; and"; and

(3) by adding at the end the following:

"(5) reduce the extent and severity of poverty and promote self-sufficiency among families with children.".

SEC. 202. CHILD POVERTY REDUCTION GRANTS.

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

"(7) BONUS TO REWARD STATES THAT REDUCE CHILD POVERTY.—

"(A) IN GENERAL.—Beginning with fiscal year 2004, the Secretary shall make a grant pursuant to this paragraph to each State for each fiscal year for which the State is a qualified child poverty reduction State.

"(B) AMOUNT OF GRANT.—

"(i) IN GENERAL.—Subject to this subparagraph, the amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall be an amount equal to—

"(I) the number of children who had not attained 18 years of age by the end of the then most

recently completed calendar year and who resided in the State as of the end of such calendar year, divided by the number of such children who resided in the United States as of the end of such calendar year; multiplied by

"(II) the amount appropriated pursuant to subparagraph (F) for the fiscal year.

"(ii) LIMITATIONS.—

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

"(II) MAXIMUM GRANT.—The amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall not exceed an amount equal to 5 percent of the State family assistance grant for the fiscal year.

"(iii) PRO RATA INCREASE.—If the amount available for grants under this paragraph for a fiscal year is greater than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall, subject to clause (ii)(II), be increased by such equal percentage as may be necessary to ensure that the total of the amounts payable for the fiscal year under this paragraph equals the amount available for the grants.

"(iv) PRO RATA REDUCTION.—If the amount available for grants under this paragraph for a fiscal year is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall, subject to clause (ii)(I), be reduced by such equal percentage as may be necessary to ensure that the total of the amounts payable for the fiscal year under this paragraph equals the amount available for the grants.

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

"(D) DEFINITIONS.—In this paragraph:

"(i) QUALIFIED CHILD POVERTY REDUCTION STATE.—The term 'qualified child poverty reduction State' means, with respect to a fiscal year, a State if—

"(I) the child poverty rate achieved by the State for the then most recently completed calendar year for which such information is available is less than the lowest child poverty rate achieved by the State during the applicable period; and

"(II) the average depth of child poverty in the State for the then most recently completed calendar year for which such information is available is not greater than the average depth of child poverty in the State for the calendar year that pre-

cedes such then most recently completed calendar year.

"(ii) APPLICABLE PERIOD.—In clause (i), the term 'applicable period' means, with respect to a State and the calendar year referred to in clause (i)(I), the period that—

"(I) begins with the calendar year that, as of October 1, 2003, precedes the then most recently completed calendar year for which such information is available; and

"(II) ends with the calendar year that precedes the calendar year referred to clause (i)(I).

"(iii) CHILD POVERTY RATE.—The term 'child poverty rate' means, with respect to a State and a calendar year, the percentage of children residing in the State during the calendar year whose family income for the calendar year is less than the poverty line then applicable to the family.

"(iv) AVERAGE DEPTH OF CHILD POVERTY.—The term 'average depth of child poverty' means with respect to a State and a calendar year, the average dollar amount by which family income is exceeded by the poverty line, among children in the State whose family income for the calendar year is less than the applicable poverty line.

"(v) POVERTY LINE.—The term 'poverty line' has the meaning given the term in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section applicable to a family of the size involved.

"(E) FAMILY INCOME DETERMINATIONS.—For purposes of this paragraph, family income includes cash income, child support payments, government cash payments, and benefits under the Food Stamp Act of 1977 that are received by any family member, and family income shall be determined after payment of all taxes and receipt of any tax refund or rebate by any family member.

"(F) APPROPRIATIONS.—

"(i) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2004 through 2008 $150,000,000 for grants under this paragraph.

"(ii) AVAILABILITY.—Amounts made available under clause (i) shall remain available until expended.".

SEC. 203. REVIEW AND CONCILIATION PROCESS.

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

"(12) REVIEW AND CONCILIATION PROCESS REQUIREMENTS.—A State to which a grant is made under section 403 shall not impose a sanction against a person under the State program funded under this part, unless the State—

"(A) has attempted at least twice (using at least 2 different methods) to notify the person of the impending imposition of the sanction, the reason for the proposed sanction, the amount of the sanction, the length of time during

which the proposed sanction would be in effect, and the steps required to come into compliance or to show good cause for noncompliance;

"(B) has afforded the person an opportunity—

"(i) to meet with the caseworker involved or another individual who has authority to determine whether to impose the sanction; and

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

"(C) has considered and taken any such explanation into account in determining to impose the sanction;

"(D) has specifically considered whether certain conditions exist, such as a physical or mental impairment, domestic violence, or limited proficiency in English, that contributed to the noncompliance of the person; and

"(E) in determining whether to impose the sanction, has used screening tools developed in consultation with individuals or groups with expertise in matters described in subparagraph (D).".

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

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

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(12) 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 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.".

SEC. 204. REPLACEMENT OF CASELOAD REDUCTION CREDIT WITH EMPLOYMENT CREDIT.

(a) EMPLOYMENT CREDIT TO REWARD STATES IN WHICH FAMILIES LEAVE WELFARE FOR WORK; ADDITIONAL CREDIT FOR FAMILIES WITH HIGHER EARNINGS.—

(1) IN GENERAL.—Section 407(b) (42 U.S.C. 607(b)), as amended by section 503 of this Act, is amended by adding at the end the following:

"(5) EMPLOYMENT CREDIT.—

"(A) IN GENERAL.—The participation rate, determined under paragraph (1), of a State for a fiscal year shall be increased by the lesser of—

"(i) the number of percentage points (if any) of the employment credit for the State for the fiscal year; or

"(ii) the number of percentage points (if any) by which the participation rate, so determined, is less than 99 percent.

"(B) CALCULATION OF CREDIT.—

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

"(I) twice the average quarterly number of families with an adult that ceased to receive assistance under the State program funded under this part during the preceding fiscal year (but only if the adult did not receive such assistance for at least 2 months after the cessation) and that was employed during the calendar quarter immediately succeeding the quarter in which the payments ceased; divided by

"(II) the average monthly number of families that include an adult who received cash payments under the State program funded under this part during the preceding fiscal year.

"(ii) SPECIAL RULE FOR FORMER RECIPIENTS WITH HIGHER EARNINGS.—In calculating the employment credit for a State for a fiscal year, a family that, in the quarter in which the wage was examined, earned at least 42 percent of the average quarterly wage in the State (determined on the basis of State unemployment data) shall be considered to be 1.5 families.

"(C) REGULATIONS.—The Secretary may prescribe such regulations as may be necessary to carry out this paragraph.

"(D) REPORTS ON AMOUNT OF CREDIT.—Not later than 6 months after the end of each calendar quarter, the Secretary shall report to the Congress and each State the amount of the employment credit for the State for the quarter. The Secretary may carry out this subparagraph using funds made available under this part for research.".

(2) AUTHORITY OF SECRETARY TO USE INFORMATION IN NATIONAL DIRECTORY OF NEW HIRES.—Section 453(i) (42 U.S.C. 653(i)) is amended by adding at the end the following:

"(5) CALCULATION OF EMPLOYMENT CREDIT FOR PURPOSES OF DETERMINING STATE WORK PARTICIPATION RATES UNDER TANF.—The Secretary may use the information in the National Directory of New Hires for purposes of calculating State employment credits pursuant to section 407(b)(5).".

(3) ELIMINATION OF CASELOAD REDUCTION CREDIT.—

(A) IN GENERAL.—Section 407(b) (42 U.S.C. 607(b)) is amended by striking paragraph (2) and redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively.

(B) CONFORMING AMENDMENT.—Section 453(i)(5) (42 U.S.C. 653(i)(5)), as added by paragraph (2) of this subsection, is amended by striking "407(b)(5)" and inserting "407(b)(4)".

SEC. 205. STATES TO RECEIVE PARTIAL CREDIT TOWARD WORK PARTICIPATION RATE FOR RECIPIENTS ENGAGED IN PART-TIME WORK.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)), as amended by section 307 of this Act, is amended by adding at the end the following flush sentence:

"For purposes of subsection (b)(1)(B)(i), a family that does not include a recipient who is participating in work activities for an average of 30 hours per week during a month

but includes a recipient who is participating in such activities during the month for an average of at least 50 percent of the minimum average number of hours per week specified for the month in the table set forth in this subparagraph shall be counted as a percentage of a family that includes an adult or minor child head of household who is engaged in work for the month, which percentage shall be the number of hours for which the recipient participated in such activities during the month divided by the number of hours of such participation required of the recipient under this section for the month.".

SEC. 206. TANF RECIPIENTS WHO QUALIFY FOR SUPPLEMENTAL SECURITY INCOME BENEFITS REMOVED FROM WORK PARTICIPATION RATE CALCULATION FOR ENTIRE YEAR.

Section 407(b)(1)(B)(ii) (42 U.S.C. 607(b)(1)(B)(ii)) is amended—

(1) in subclause (I), by inserting "who has not become eligible for supplemental security income benefits under title XVI during the fiscal year" before the semicolon; and

(2) in subclause (II), by inserting ", and that do not include an adult or minor child head of household who has become eligible for supplemental security income benefits under title XVI during the fiscal year" before the period.

SEC. 207. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in subsection (b), the amendments made by sections 204 through 206 shall take effect on October 1, 2004.

(b) STATE OPTION TO PHASE-IN REPLACEMENT OF CASELOAD REDUCTION CREDIT WITH EMPLOYMENT CREDIT AND DELAY APPLICABILITY OF OTHER PROVISIONS.—A State may elect to have the amendments made by sections 204(b), 205, and 206 of this Act not apply to the State program funded under part A of title IV of the Social Security Act until October 1, 2005, and if the State makes the election, then, in determining the participation rate of the State for purposes of sections 407 and 409(a)(3) of the Social Security Act for fiscal year 2005, the State shall be credited with ½ of the reduction in the rate that would otherwise result from applying section 407(b)(5) of the Social Security Act (as added by section 204(a)(1) of this Act) to the State for fiscal year 2005 and ½ of the reduction in the rate that would otherwise result from applying section 407(b)(2) of such Act (as so redesignated by section 503(2)(D) of this Act) to the State for fiscal year 2005.

TITLE III—REQUIRING AND REWARDING WORK

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

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

"(H) LIMITATION ON MEANING OF 'ASSISTANCE' FOR FAMILIES WITH INCOME FROM EMPLOYMENT.—For purposes of this paragraph, at the option of the State, a benefit or service provided to a family during a month under the State program funded under this part shall not be considered assistance under the program if—

"(i) during the month, the family includes an adult or a minor child head of household who has received at least such amount of income from employment as the State may establish; and

"(ii) the average weekly earned income of the family for the month is at least $100.".

SEC. 302. CHILD CARE.

(a) INCREASE IN ENTITLEMENT FUNDING.—

(1) IN GENERAL.—Section 418(a) (42 U.S.C. 618(a)) is amended—

(A) in paragraph (1), in the matter preceding subparagraph (A), by inserting "and paragraph (6)" after "paragraph (3)";

(B) in paragraph (3)—

(i) by striking "and" at the end of subparagraph (E);

(ii) in subparagraph (F), by striking "fiscal year 2002." and inserting "each of fiscal years 2002 through 2006; and"; and

(iii) by adding at the end the following:

"(G) $3,217,000,000 for fiscal year 2007; and

"(H) $3,717,000,000 for fiscal year 2008.";

(C) by striking paragraph (4) and inserting the following:

"(4) AMOUNTS RESERVED FOR INDIAN TRIBES.—

"(A) IN GENERAL.—The Secretary shall reserve 2 percent of the aggregate amount appropriated under paragraphs (3) and (5) for each fiscal year for payments to Indian tribes and tribal organizations for each such fiscal year for the purpose of providing child care assistance.

"(B) USE OF FUNDS; APPLICATION OF CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT OF 1990.—Subsections (b) and (c) shall apply to amounts received under this paragraph in the same manner as such subsections apply to amounts received by a State under this section.";

(D) by redesignating paragraph (5) as paragraph (7); and

(E) by inserting after paragraph (4) the following:

"(5) ADDITIONAL GENERAL ENTITLEMENT GRANTS.—

"(A) APPROPRIATION.—In addition to amounts appropriated under paragraph (3) for any fiscal year, there are appropriated for additional grants under paragraph (1)—

"(i) $1,250,000,000 for fiscal year 2004;

"(ii) $1,750,000,000 for fiscal year 2005; and

"(iii) $2,250,000,000 for each of fiscal years 2006 through 2008.

"(B) ADDITIONAL GRANT.—In addition to the grant paid to a State under paragraph (1) for each of fiscal years 2003 through 2007, of the amount available for additional grants under subparagraph (A) for a fiscal year, the Secretary shall pay the State an amount equal to the same proportion of such available amount as the proportion of the State's grant under paragraph (1) bears to the amount appropriated under paragraph (3) for the fiscal year.

"(6) REQUIREMENT FOR GRANT INCREASE.—Notwithstanding paragraphs (1), (2), and (5), the aggregate of the amounts paid to a State under this section for each of fiscal years 2003 through 2008 may not exceed the aggregate of the amounts

paid to the State under this section for fiscal year 2002, unless the State ensures that the level of State expenditures for child care for the fiscal year is not less than the level of State expenditures for child care that were matched under a grant made to the State under paragraph (2); and that the State expended to meet its maintenance of effort obligation under paragraph (2) for fiscal year 2002.".

(2) CONFORMING AMENDMENT.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)) is amended by striking "or 413(f)" and inserting "413(f), or 418(a)(4)(B)".

(b) AMENDMENTS TO THE CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT OF 1990.—

(1) AUTHORIZATION OF APPROPRIATIONS.—Section 658B of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858) is amended to read as follows:

"SEC. 658B. AUTHORIZATION OF APPROPRIATIONS; AMOUNTS AVAILABLE FOR INCENTIVE GRANTS TO IMPROVE QUALITY OF CHILD CARE SERVICES.

"(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subchapter $2,350,000,000 for fiscal year 2004 and such sums as may be necessary for fiscal years 2005 through 2008.

"(b) AMOUNTS AVAILABLE FOR INCENTIVE GRANTS TO IMPROVE QUALITY OF CHILD CARE SERVICES.—Of the amount made available to carry out this subchapter, $500,000,000 shall be used for each of the fiscal years 2004 through 2008 to make grants under section 658H.".

(2) STATE PLAN REQUIREMENTS.—Section 658E(c)(2) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(2)) is amended—

(A) in subparagraph (A)—

(i) in clause (ii) by striking "and" at the end;

(ii) in clause (iii) by adding "and" at the end; and

(iii) by inserting after clause (iii) the following:

"(iv) in order to help ensure that parents have the freedom to choose quality center-based child care services, the State shall make significant effort to develop contracts with accredited child care providers in low-income and rural communities;";

(B) by amending subparagraph (D) to read as follows:

"(D) CONSUMER EDUCATION INFORMATION.—Certify that the State will collect and disseminate to parents of eligible children and the general public, consumer education information that will promote informed child care choices, and describe how the State will inform parents receiving assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and other low-income parents about eligibility for assistance under this subchapter.";

(C) by amending subparagraph (H) to read as follows:

"(H) MEETING THE NEEDS OF CERTAIN POPULATIONS.—Demonstrate the manner in which the State will meet the specific child care needs of families who are receiving assistance under a State program under part A of title IV of the Social Security Act, families who are attempting

through work activities to transition off of such assistance program, families with children with disabilities and other special needs, low-income families not receiving cash assistance under a State program under part A of title IV of the Social Security Act, and families that are at risk of becoming dependent on such assistance."; and

(D) by adding at the end the following:

"(I) AVAILABILITY OF STAFF.—Describe how the State will ensure that staff from the lead agency described in section 658D will be available, at the offices of the State program funded under part A of title IV of the Social Security Act, to provide information about eligibility for assistance under this subchapter and to assist individuals in applying for such assistance.

"(J) ELIGIBILITY REDETERMINATION.—Demonstrate that each child that receives assistance under this subchapter in the State will receive such assistance for not less than 1 year before the State redetermines the eligibility of the child under this subchapter.

"(K) SUPPLEMENT NOT SUPPLANT.—Provide assurances that the amounts paid to a State under this subchapter shall be used to supplement and not supplant other State or local funds expended or otherwise available to support payments for child care assistance and to increase the quality of available child care for eligible families under this subchapter.".

(3) PAYMENT RATES.—Section 658E(c)(4)(A) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(4)(A)) is amended—

(A) by striking "such access" and inserting "equal access to comparable quality and types of services"; and

(B) by adding at the end the following:

"(i) Market rate surveys (that reflect variations in the cost of child care services by locality) shall be conducted by the State not less often than at 2-year intervals, and the results of such surveys shall be used to implement payment rates that ensure equal access to comparable services as required by this subparagraph.

"(ii) Payment rates shall be adjusted at intervals between such surveys to reflect increases in the cost of living, in such manner as the Secretary may specify.

"(iii) Payment rates shall reflect variations in the cost of providing child care services for children of different ages and providing different types of care.".

(4) CHILD CARE ACCOUNTABILITY IMPROVEMENTS.—Section 658G of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858e) is amended to read as follows:

"SEC. 658G. CHILD CARE ACCOUNTABILITY IMPROVEMENTS.

"(a) ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.—A State that receives funds to carry out this subchapter shall reserve and use not less than 12 percent of the funds for improvements in the quality of child care services provided in the State and in political subdivisions of the State.

"(1) Not less than 35 percent of the funds reserved under this subsection shall be used for activities that are designed to

increase the quality and supply of child care services for children from birth through 3 years of age.

"(2) Funds reserved under this subsection shall be used for 1 or more activities consisting of—

"(A) providing for the development, establishment, expansion, operation, and coordination of, child care resource and referral services;

"(B) making grants or providing loans to eligible child care providers to assist the providers in meeting applicable State and local child care standards and recognized accreditation standards;

"(C) improving the ability of State or local government, as applicable, to monitor compliance with, and to enforce, State and local licensing and regulatory requirements (including registration requirements) applicable to child care providers;

"(D) providing training and technical assistance in areas relating to the provision of child care services, such as training relating to promotion of health and safety, promotion of good nutrition, provision of first aid, recognition of communicable diseases, child abuse detection and prevention, and care of children with disabilities and other special needs;

"(E) improving salaries and other compensation paid to full-time and part-time staff who provide child care services for which assistance is made available under this subchapter;

"(F) making grants or providing financial assistance to eligible child care providers for training in child development and early education;

"(G) making grants or providing financial assistance to eligible child care providers to support delivery of early education and child development activities;

"(H) making grants or providing financial assistance to eligible child care providers to make minor renovations to such providers' physical environments that enhance the quality of the child care services they provide;

"(I) improving and expanding the supply of child care services for children with disabilities and other special needs;

"(J) increasing the supply of high quality inclusive child care for children with and without disabilities and other special needs;

"(K) supporting the system described in paragraph (2);

"(L) providing technical assistance to family child care providers and center-based child care providers to enable them to provide appropriate child care services for children with disabilities; and

"(M) other activities that can be demonstrated to increase the quality of child care services and parental choice.".

"(b) CHILD CARE RESOURCE AND REFERRAL SYSTEM.—The State shall use a portion of the funds reserved under subsection (a) to support a system of local child care resource and referral organizations coordinated by a statewide, nonprofit, community-based child

care resource and referral organization. The local child care resource and referral system shall—

"(1) provide parents in the State with information and support concerning child care options in their communities;

"(2) collect and analyze data on the supply of and demand for child care in political subdivisions within the State;

"(3) develop links with the business community or other organizations involved in providing child care services;

"(4) increase the supply and improve the quality of child care in the State and in political subdivisions in the State;

"(5) provide (or facilitate the provision of) specialists in health, mental health consultation, early literacy services for children with disabilities and other special needs, and infant and toddler care, to support or supplement community child care providers;

"(6) provide training or facilitate connections for training to community child care providers; or

"(7) hire disability specialists, and provide training and technical assistance to child care providers, to effectively meet the needs of children with disabilities.

(5) INCENTIVE GRANTS TO STATES.—The Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) is amended by inserting after section 658G the following:

"SEC. 658H. INCENTIVE GRANTS TO STATES.

"(a) AUTHORITY.—

"(1) IN GENERAL.—The Secretary shall use the amount made available under section 658B(b) for a fiscal year to make grants to eligible States in accordance with this section.

"(2) ANNUAL PAYMENTS.—The Secretary shall make an annual payment for such a grant to each eligible State out of the allotment for that State determined under subsection (c).

"(b) ELIGIBLE STATES.—

"(1) IN GENERAL.—In this section, the term 'eligible State' means a State that—

"(A) has conducted a survey of the market rates for child care services in the State within the 2 years preceding the date of the submission of an application under paragraph (2); and

"(B) submits an application in accordance with paragraph (2).

"(2) APPLICATION.—

"(A) IN GENERAL.—To be eligible to receive a grant under this section, a State shall submit an application to the Secretary at such time, in such manner, and accompanied by such information, in addition to the information required under subparagraph (B), as the Secretary may require.

"(B) INFORMATION REQUIRED.—Each application submitted for a grant under this section shall—

"(i) detail the methodology and results of the State market rates survey conducted pursuant to paragraph (1)(A);

"(ii) describe the State's plan to increase payment rates from the initial baseline determined under clause (i);

"(iii) describe how the State will increase payment rates in accordance with the market survey results, for all types of child care providers who provide services for which assistance is made available under this subchapter;

"(iv) describe how rates are set to reflect the variations in the cost of providing care for children of different ages, different types of care, and in different localities in the State; and

"(v) describe how the State will prioritize increasing payment rates for care of higher-than-average quality, such as care by accredited providers, care that includes the provision of comprehensive services, care provided at nonstandard hours, care for children with disabilities and other special needs, care in low-income and rural communities, and care of a type that is in short supply.

"(3) CONTINUING ELIGIBILITY REQUIREMENT.—The Secretary may make an annual payment under this section to an eligible State only if—

"(A) the Secretary determines that the State has made progress, through the activities assisted under this subchapter, in maintaining increased payment rates; and

"(B) at least once every 2 years, the State conducts an update of the survey described in paragraph (1)(A).

"(4) REQUIREMENT OF MATCHING FUNDS.—

"(A) IN GENERAL.—To be eligible to receive a grant under this section, the State shall agree to make available State contributions from State sources toward the costs of the activities to be carried out by a State pursuant to subsection (d) in an amount that is not less than 20 percent of such costs.

"(B) DETERMINATION OF STATE CONTRIBUTIONS.—State contributions shall be in cash. Amounts provided by the Federal Government may not be included in determining the amount of such State contributions.

"(c) ALLOTMENTS TO ELIGIBLE STATES.—The amount made available under section 658B(b) for a fiscal year shall be allotted among the eligible States in the same manner as amounts are allotted under section 658O(b).

"(d) USE OF FUNDS.—An eligible State that receives a grant under this section shall use the funds received to significantly increase the payment rate for the provision of child care assistance in accordance with this subchapter up to the 150th percentile of the market rate survey described in subsection (b)(1)(A).

"(e) EVALUATIONS AND REPORTS.—

"(1) STATE EVALUATIONS.—Each eligible State shall submit to the Secretary, at such time and in such form and manner as the Secretary may require, information regarding the State's efforts to increase payment rates and the impact increased rates are having on the quality of, and accessibility to, child care in the State.

"(2) REPORTS TO CONGRESS.—The Secretary shall submit biennial reports to Congress on the information described in paragraph (1). Such reports shall include data from the appli-

cations submitted under subsection (b)(2) as a baseline for determining the progress of each eligible State in maintaining increased payment rates.

"(f) PAYMENT RATE.—In this section, the term 'payment rate' means the rate of reimbursement to providers for subsidized child care.".

(6) ADMINISTRATION, ENFORCEMENT, AND EVALUATION.—Section 658I of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858g) is amended—

(A) in the heading by striking "**AND ENFORCEMENT**" and inserting "**, ENFORCEMENT, AND EVALUATION**";

(B) in subsection (a)(3) by inserting before the period at the end "and including the establishment of a national training and technical assistance center specializing in infant and toddler care and their families"; and

(C) by adding at the end the following:

"(c) FEDERAL ADMINISTRATION AND EVALUATION ACTIVITIES.—The Secretary shall—

"(1) establish a national data system through grants, contracts or cooperative agreements to develop statistics on the supply of, demand for, and quality of child care, early education, and non-school-hours programs, including use of data collected through child care resource and referral organizations at the national, State, and local levels; and

"(2) prepare and submit to Congress an annual report on the supply of, demand for, and quality of child care, early education, and non-school-hours programs, using data collected through State and local child care resource and referral organizations and other sources.".

(7) REPORTS.—Section 658K(a) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858i(a)) is amended—

(A) in paragraph (1)(B)—

(i) in clause (ix) by striking "and" at the end;

(ii) in clause (x) by adding "and" at the end; and

(iii) by inserting after clause (x) the following:

"(xi) whether the child care provider is accredited by a national or State accrediting body;"; and

(B) in paragraph (2)—

(i) in the matter preceding subparagraph (A) by striking "aggregate data concerning";

(ii) in subparagraph (D) by striking "and" at the end;

(iii) in subparagraph (E) by adding "and" at the end; and

(iv) by indenting the left margin of subparagraphs (A) through (E) 2 ems to the right and redesignating such subparagraphs as clauses (i) through (v), respectively;

(v) by inserting after clause (v), as so redesignated, the following:

"(vi) findings from market rate surveys, disaggregated by the types of services provided and by the sub-State localities, as appropriate;"; and

(vi) by inserting before clause (i), as so redesignated, the following:

"(A) information on how all of the funds reserved under section 658G were allocated and spent, and information on the effect of those expenditures, to the maximum extent practicable; and

"(B) aggregate date concerning—".

(8) DEFINITIONS.—Section 658P(4)(C) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n(4)(C)) is amended—

(A) in clause (i) by striking "or" at the end;

(B) in clause (ii) by striking the period and inserting "; or"; and

(C) by adding at the end the following:

"(iii) is a foster child.".

(9) CONFORMING AMENDMENTS.—The Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) is amended—

(A) in section 658E(c)(3)—

(i) in subparagraph (B) by striking "through (5) of section 658A(b)" and inserting "through (6) of section 658A(c)"; and

(ii) in subparagraph (D) by striking "1997 through 2002" and inserting "2004 through 2008";

(B) in section 658K(a)(2) by striking "1997" and inserting "2003"; and

(C) in section 658L—

(i) by striking "July 31, 1998" and inserting "October 1, 2005";

(ii) by striking "Economic and Educational Opportunities" and inserting "Education and the Workforce"; and

(iii) by striking "Labor and Human Resources" and inserting "Health, Education, Labor, and Pensions".

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

"(8) CERTIFICATION OF PROCEDURES TO ENSURE THAT CHILD CARE PROVIDERS COMPLY WITH APPLICABLE STATE OR LOCAL HEALTH AND SAFETY STANDARDS.—A certification by the chief executive officer of the State that procedures are in effect to ensure that any child care provider in the State that provides services for which assistance is provided under the State program funded under this part complies with all applicable State or local health and safety requirements as described in section 658E(c)(2)(F) of the Child Care and Development Block Grant Act of 1990.".

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

SEC. 303. COMPETITIVE GRANTS TO IMPROVE ACCESS TO VARIOUS BENEFIT PROGRAMS.

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

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

(2) provide incentives to States and counties to improve and coordinate application and renewal procedures for low-income family with children support programs; and

(3) track the extent to which low-income families with children receive the benefits and services for which they are eligible.

(b) DEFINITIONS.—In this section:

(1) LOCALITY.—The term locality means a municipality that does not administer a temporary assistance for needy families program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) (in this section referred to as "TANF").

(2) LOW-INCOME FAMILY WITH CHILDREN SUPPORT PROGRAM.—The term "low-income family with children support program" means a program designed to provide low-income families with assistance or benefits to enable the family to become self-sufficient and includes—

(A) TANF;

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

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

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

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

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

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

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

(I) the special supplemental nutrition program for women, infants, and children (WIC) established under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786);

(J) programs under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.); and

(K) any other Federal or State funded program designed to provide family and work support to low-income families with children.

(3) NONPROFIT.—The term "nonprofit", as applied to a school, agency, organization, or institution means a school, agency, organization, or institution owned and operated by 1 or more nonprofit corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(4) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.

(5) STATE.—The term "State" means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, and the United States Virgin Islands.

(c) AUTHORIZATION OF GRANTS.—

(1) STATES AND COUNTIES.—

(A) IN GENERAL.—The Secretary is authorized to award grants to States and counties to pay the Federal share of the costs involved in improving the administration of low-income family with children support programs, including simplifying application, recertification, reporting, and verification rules, and promoting participation in such programs.

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

(2) NONPROFITS AND LOCALITIES.—The Secretary is authorized to award grants to nonprofits and localities to promote participation in low-income family with children support programs, and distribute information about and develop service centers for low-income family with children support programs.

(d) GRANT APPROVAL CRITERIA.—

(1) IN GENERAL.—The Secretary, in consultation with the Secretary of Agriculture, shall establish criteria for approval of an application for a grant under this section that include consideration of—

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

(B) an applicant's ability to reach hard-to-serve populations;

(C) the level of innovation in the applicant's grant proposal; and

(D) any partnerships between the public and private sector in the applicant's grant proposal.

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

(e) USES OF FUNDS.—

(1) STATES AND COUNTIES.—

(A) IMPROVEMENTS IN PROGRAMS.—Grants awarded to States and counties under subsection (c)(1) shall be used to—

(i) simplify low-income family with children support program application, recertification, reporting, and verification rules;

(ii) create uniformity in eligibility criteria for low-income family with children support programs;

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

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

(v) develop or enhance one-stop service centers for low-income family with children support programs, including establishing evening and weekend hours at these centers; and

(vi) improve training of staff in low-income families with children support programs to enhance their ability to enroll eligible applicants in low-income family with children support programs, provide case management, and refer eligible applicants to other appropriate programs.

(B) CUSTOMER SURVEYS.—

(i) IN GENERAL.—A grant awarded to a State or county under subsection (c)(1) shall be used to carry out a customer survey.

(ii) MODEL SURVEYS.—The customer survey under clause (i) of this subparagraph shall be modeled after a form developed by the Secretary under subsection (g).

(iii) REPORTS TO SECRETARY.—Not later than 1 year after a State or county is awarded a grant under subsection (c)(1), and annually thereafter, the State or county shall submit a report to the Secretary detailing the results of the customer survey carried out under clause (i) of this subparagraph.

(iv) REPORTS TO PUBLIC.—A State or county receiving a grant under subsection (c)(1) and the Secretary shall make the report required under clause (iii) of this subparagraph available to the public.

(v) PUBLIC COMMENT.—A State or county receiving a grant under subsection (c)(1) shall accept public comments and hold public hearings on the report made available under clause (iv) of this subparagraph.

(C) TRACKING SYSTEMS.—

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

(ii) REPORTS.—Not later than 1 year after a State or county is awarded a grant under subsection (c)(1), and annually thereafter, the State or county shall submit a report to the Secretary detailing the effectiveness of the tracking system implemented under clause (i) of this subparagraph.

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

(E) JURISDICTION-WIDE IMPLEMENTATION.—

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

(ii) EXCEPTION.—A State or county awarded a grant under subsection (c)(1) may use grant funds to develop

one-stop service centers and telephone, mail, facsimile, Internet, or electronic mail application and renewal procedures for low-income family with children support programs without regard to the requirements of clause (i) of this subparagraph.

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

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

(A) develop one-stop service centers for low-income family with children support programs in cooperation with States and counties; or

(B) provide information about and referrals to low-income family with children support programs through the dissemination of materials at strategic locations, including schools, clinics, and shopping locations.

(f) APPLICATION.—

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

(2) STATES AND COUNTIES.—

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

(B) PARTNERSHIPS.—Each State or county applicant shall submit a memorandum of understanding demonstrating that the applicant has entered into a partnership to coordinate its efforts under the grant with the efforts of other State and county agencies that have responsibility for providing low-income families with assistance or benefits.

(g) DUTIES OF THE SECRETARY.—

(1) SURVEY FORM.—The Secretary, in cooperation with other relevant agencies, shall develop a customer survey form to determine whether low-income families—

(A) encounter any impediments in applying for or renewing their participation in low-income family with children support programs; and

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

(2) REPORTS.—

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

(B) RESULTS OF TRACKING SYSTEMS AND SURVEYS.—The Secretary shall submit a report to Congress detailing the results of the tracking systems implemented and customer surveys carried out by States and counties under subsection (e) as the information becomes available.

(h) MISCELLANEOUS.—

(1) MATCHING FUNDS.—Matching funds required from a State or county awarded a grant under subsection (c)(1) of this section may—

(A) include in-kind services and expenditures by municipalities and private entities; and

(B) be considered a qualified State expenditure for purposes of determining whether the State has satisfied the maintenance of effort requirements of the temporary assistance for needy families program under section 409(a)(7) of the Social Security Act (42 U.S.C. 609(a)(7)).

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

(3) REVERSION OF FUNDS.—Any funds not expended by a grantee within 2 years after awarded a grant shall be available for redistribution among other grantees in such manner and amount as the Secretary may determine, unless the Secretary extends by regulation the 2-year time period to expend funds.

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

(5) ADMINISTRATIVE COSTS OF THE SECRETARY.—Not more than 5 percent of the funds appropriated to carry out this section shall be expended on administrative costs of the Secretary.

(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section $500,000,000 for the period of fiscal years 2004 through 2008.

SEC. 304. ASSESSMENTS FOR TANF RECIPIENTS.

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

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

"(1) ASSESSMENT.—The State agency responsible for administering the State program funded under this part shall, for each recipient of assistance under the program who is a head of household, make an initial assessment of the skills, prior work experience, and circumstances related to the employability of the recipient, including physical or mental impairments, proficiency in English, child care needs, and whether the recipient is a victim of domestic violence.";

(2) in paragraph (2)(A), by striking "may develop" and inserting "shall develop"; and

(3) by striking paragraph (4).

SEC. 305. APPLICABILITY OF WORKPLACE LAWS.

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

"(h) No individual engaged in any activity funded in whole or in part by the TANF program shall be subjected to discrimination based on race, color, religion, sex, national origin, age, or disability, nor shall such an individual be denied the benefits or protections of any Federal, State or local employment, civil rights, or health

and safety law because of such individual's status as a participant in the TANF program.".

SEC. 306. WORK PARTICIPATION REQUIREMENTS.

Section 407(a)(1) (42 U.S.C. 607(a)), as amended by section 503 of this Act, is amended to read as follows:

"(1) IN GENERAL.—A State to which a grant is made under section 403 for a fiscal year shall achieve a minimum participation rate equal to not less than—

"(A) 50 percent for fiscal year 2004;

"(B) 55 percent for fiscal year 2005;

"(C) 60 percent for fiscal year 2006;

"(D) 65 percent for fiscal year 2007; and

"(E) 70 percent for fiscal year 2008 and each succeeding fiscal year.".

SEC. 307. HOURS OF WORK-RELATED ACTIVITIES.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)) is amended by striking "20" and inserting "24".

SEC. 308. STATE OPTION TO REQUIRE RECEIPIENTS TO ENGAGE IN WORK FOR 40 HOURS PER WEEK.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)) is amended by adding at the end the following flush sentence:

"At the option of a State, the State may require, a recipient not referred to in paragraph (2)(B) to engage in work for an average of 40 hours per week in each month in a particular fiscal year.".

SEC. 309. REVISION AND SIMPLIFICATION OF THE TRANSITIONAL MEDICAL ASSISTANCE PROGRAM (TMA).

(a) OPTION OF CONTINUOUS ELIGIBILITY FOR 12 MONTHS; OPTION OF CONTINUING COVERAGE FOR UP TO AN ADDITIONAL YEAR.—

(1) OPTION OF CONTINUOUS ELIGIBILITY FOR 12 MONTHS BY MAKING REPORTING REQUIREMENTS OPTIONAL.—Section 1925(b) (42 U.S.C. 1396r–6(b)) is amended—

(A) in paragraph (1), by inserting ", at the option of a State," after "and which";

(B) in paragraph (2)(A), by inserting "Subject to subparagraph (C)—" after "(A) NOTICES.—";

(C) in paragraph (2)(B), by inserting "Subject to subparagraph (C)—" after "(B) REPORTING REQUIREMENTS.—";

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

"(C) STATE OPTION TO WAIVE NOTICE AND REPORTING REQUIREMENTS.—A State may waive some or all of the reporting requirements under clauses (i) and (ii) of subparagraph (B). Insofar as it waives such a reporting requirement, the State need not provide for a notice under subparagraph (A) relating to such requirement."; and

(E) in paragraph (3)(A)(iii), by inserting "the State has not waived under paragraph (2)(C) the reporting requirement with respect to such month under paragraph (2)(B) and if" after "6-month period if".

(2) STATE OPTION TO EXTEND ELIGIBILITY FOR LOW-INCOME INDIVIDUALS FOR UP TO 12 ADDITIONAL MONTHS.—Section 1925 (42 U.S.C. 1396r–6) is further amended—

(A) by redesignating subsections (c) through (f) as subsections (d) through (g); and

(B) by inserting after subsection (b) the following new subsection:

"(c) STATE OPTION OF UP TO 12 MONTHS OF ADDITIONAL ELIGIBILITY.—

"(1) IN GENERAL.—Notwithstanding any other provision of this title, each State plan approved under this title may provide, at the option of the State, that the State shall offer to each family which received assistance during the entire 6-month period under subsection (b) and which meets the applicable requirement of paragraph (2), in the last month of the period the option of extending coverage under this subsection for the succeeding period not to exceed 12 months.

"(2) INCOME RESTRICTION.—The option under paragraph (1) shall not be made available to a family for a succeeding period unless the State determines that the family's average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) as of the end of the 6-month period under subsection (b) does not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

"(3) APPLICATION OF EXTENSION RULES.—The provisions of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply to the extension provided under this subsection in the same manner as they apply to the extension provided under subsection (b)(1), except that for purposes of this subsection—

"(A) any reference to a 6-month period under subsection (b)(1) is deemed a reference to the extension period provided under paragraph (1) and any deadlines for any notices or reporting and the premium payment periods shall be modified to correspond to the appropriate calendar quarters of coverage provided under this subsection; and

"(B) any reference to a provision of subsection (a) or (b) is deemed a reference to the corresponding provision of subsection (b) or of this subsection, respectively.".

(b) STATE OPTION TO WAIVE RECEIPT OF MEDICAID FOR 3 OF PREVIOUS 6 MONTHS TO QUALIFY FOR TMA.—Section 1925(a)(1) (42 U.S.C. 1396r–6(a)(1)) is amended by adding at the end the following: "A State may, at its option, also apply the previous sentence in the case of a family that was receiving such aid for fewer than 3 months, or that had applied for and was eligible for such aid for fewer than 3 months, during the 6 immediately preceding months described in such sentence.".

(c) ELIMINATION OF SUNSET FOR TMA.—

(1) Subsection (g) of section 1925 (42 U.S.C. 1396r–6), as redesignated under subsection (a)(2), is repealed.

(2) Section 1902(e)(1) (42 U.S.C. 1396a(e)(1)) is amended by striking "(A) Nothwithstanding" and all that follows through "During such period, for" in subparagraph (B) and inserting "For".

(d) CMS REPORT ON ENROLLMENT AND PARTICIPATION RATES UNDER TMA.—Section 1925, as amended by subsections (a)(2) and (c), is amended by adding at the end the following new subsection:

"(g) ADDITIONAL PROVISIONS.—

"(1) COLLECTION AND REPORTING OF PARTICIPATION INFORMATION.—Each State shall—

"(A) collect and submit to the Secretary, in a format specified by the Secretary, information on average monthly enrollment and average monthly participation rates for adults and children under this section; and

"(B) make such information publicly available.

Such information shall be submitted under subparagraph (A) at the same time and frequency in which other enrollment information under this title is submitted to the Secretary. Using such information, the Secretary shall submit to Congress annual reports concerning such rates.".

(e) COORDINATION OF WORK.—Section 1925(g), as added by subsection (d), is amended by adding at the end the following new paragraph:

"(2) COORDINATION WITH ADMINISTRATION FOR CHILDREN AND FAMILIES.—The Administrator of the Centers for Medicare & Medicaid Services, in carrying out this section, shall work with the Assistant Secretary for the Administration for Children and Families to develop guidance or other technical assistance for States regarding best practices in guaranteeing access to transitional medical assistance under this section.".

(f) ELIMINATION OF TMA REQUIREMENT FOR STATES THAT EXTEND COVERAGE TO CHILDREN AND PARENTS THROUGH 185 PERCENT OF POVERTY.—

(1) IN GENERAL.—Section 1925 is further amended by adding at the end the following new subsection:

"(h) PROVISIONS OPTIONAL FOR STATES THAT EXTEND COVERAGE TO CHILDREN AND PARENTS THROUGH 185 PERCENT OF POVERTY.—A State may (but is not required to) meet the requirements of subsections (a) and (b) if it provides for medical assistance under section 1931 to families (including both children and caretaker relatives) the average gross monthly earning of which (less such costs for such child care as is necessary for the employment of a caretaker relative) is at or below a level that is at least 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.".

(2) CONFORMING AMENDMENTS.—Such section is further amended, in subsections (a)(1) and (b)(1), by inserting ", but subject to subsection (h)," after "Notwithstanding any other provision of this title," each place it appears.

(g) EXTENDING USE OF OUTSTATIONED WORKERS TO ACCEPT APPLICATIONS FOR TRANSITIONAL MEDICAL ASSISTANCE.—Section 1902(a)(55) (42 U.S.C. 1396a(a)(55)) is amended by inserting "and under section 1931" after "(a)(10)(A)(ii)(IX)".

(h) EFFECTIVE DATES.—(1) Except as provided in this subsection, the amendments made by this section shall apply to calendar quarters beginning on or after the date of the enactment of this Act,

without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by this section, the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 310. ENSURING TANF FUNDS ARE NOT USED TO DISPLACE PUBLIC EMPLOYEES.

(a) WELFARE-TO-WORK WORKER PROTECTIONS.—Section 403(a)(5)(I) (42 U.S.C. 603(a)(5)(I)) is amended—

(1) by striking clauses (i) and (iv);

(2) by redesignating clauses (v) and (vi) as clauses (iv) and (v), respectively; and

(3) by inserting before clause (ii) the following:

"(i) NONDISPLACEMENT.—A State shall establish and maintain such procedures as are necessary to do the following with respect to activities funded in whole or in part under this part:

"(I) Prohibit the placement of an individual in a work activity specified in section 407(d) from resulting in the displacement of any employee or position (including partial displacement, such as a reduction in the hours of nonovertime work wages, or employment benefits, or fill any unfilled vacancy, or performing work when any other individual is on layoff from the same or any substantially equivalent job).

"(II) Prohibit the placement of an individual in a work activity specified in section 407(d) which would impair any contract for services, be inconsistent with any employment-related State or local law or regulation, or collective bargaining agreement, or infringe on the recall rights or promotional opportunities of any worker.

"(III) Maintain an impartial grievance procedure to resolve any complaints alleging violations of subclause (I) or (II) within 60 days after receipt of the complaint, and if a decision is adverse to the party who filed such a grievance or no decision has been reached, provided for the completion of an arbitration procedure within 75 days after receipt of the complaint or the adverse decision or conclusion of the 60-day period, whichever is earlier. The procedures shall include a right to a hearing. The procedures shall include remedies for

violations of the requirement that shall include termination or suspension of payments, prohibition of the participant, reinstatemt of an employee, and other appropriate relief. The procedures shall specifiy that if a direct work activity engaged in by a recipient of assistance under the State program funded under this part involves a placement in a State agency or local government agency pursuant to this section and the agency experiences a net reduction in its overall workforce in a given year, there is a rebuttable presumption that the placement has resulted in displacement of the employees of the agency in violation of this subparagraph.".

(b) STATE PLAN REQUIREMENT.—Section 402(a) (42 U.S.C. 602(a)) is amended by adding at the end the following:

"(5) A plan that outlines the resources and procedures that will be used to ensure that the State will establish and maintain the procedures described in section 403(a)(5)(I)(i).".

SEC. 311. INCREASE IN FUNDING FOR SOCIAL SERVICES BLOCK GRANT.

Section 2003(c) (42 U.S.C. 1397b(c)) is amended by adding at the end the following:

"(12) $2,800,000,000 for the fiscal year 2004 and each fiscal year thereafter.".

TITLE IV—HELPING WELFARE LEAVERS CLIMB THE EMPLOYMENT LADDER

SEC. 401. STATE PLAN REQUIREMENT ON EMPLOYMENT ADVANCEMENT.

(a) IN GENERAL.—Section 402(a)(1)(A) (42 U.S.C. 602(a)(1)(A)) is amended by adding at the end the following:

"(vii) Establish goals and take action to improve initial earnings, job advancement, and employment retention for individuals in and individuals leaving the program.".

(b) INCLUSION IN ANNUAL REPORTS OF PROGRESS IN ACHIEVING EMPLOYMENT ADVANCEMENT GOALS.—Section 411(b) (42 U.S.C. 611(b)) is amended—

(1) by striking "and" at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting "; and" ; and

(3) by adding at the end the following:

"(5) in each report submitted after fiscal year 2004, the progress made by the State in achieving the goals referred to in section 402(a)(1)(A)(vii) in the most recent State plan submitted pursuant to section 402(a).".

SEC. 402. EMPLOYMENT ADVANCEMENT FUND.

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

"(8) EMPLOYMENT ADVANCEMENT FUND.—

"(A) IN GENERAL.—The Secretary shall provide grants to States and localities for research, evaluation, technical assistance, and demonstration projects that focus on—

"(i) improving wages for low-income workers, regardless of whether such workers are recipients of assistance under a State program funded under this part, through training and other services; and

"(ii) enhancing employment prospects for recipients of such assistance with barriers to employment, such as a physical or mental impairment, a substance abuse problem, or limited proficiency in English.

"(B) ADMINISTRATION.—

"(i) ALLOCATION OF FUNDS.—The Secretary shall allocate at least 40 percent of the funds made available pursuant to this paragraph for projects that focus on the matters described in subparagraph (A)(i), and at least 40 percent of the funds for projects that focus on the matters described in subparagraph (A)(ii).

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

"(C) AID UNDER THIS PARAGRAPH NOT 'ASSISTANCE'.—A benefit or service provided with funds made available under this paragraph shall not, for any purpose, be considered assistance under a State program funded under this part.

"(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2004 through 2008 $150,000,000 for grants under this paragraph.".

SEC. 403. ELIMINATION OF LIMIT ON NUMBER OF TANF RECIPIENTS ENROLLED IN VOCATIONAL EDUCATION OR HIGH SCHOOL WHO MAY BE COUNTED TOWARDS THE WORK PARTICIPATION REQUIREMENT.

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

SEC. 404. COUNTING OF UP TO 2 YEARS OF VOCATIONAL OR EDUCATIONAL TRAINING (INCLUDING POSTSECONDARY EDUCATION), WORK-STUDY, AND RELATED INTERNSHIPS AS WORK ACTIVITIES.

Section 407(d)(8) (42 U.S.C. 607(d)(8)) is amended to read as follows:

"(8) not more than 24 months of participation by an individual in—

"(A) vocational or educational training (including postsecondary education), at an eligible educational institution (as defined in section 404(h)(5)(A)) leading to attainment of a credential from the institution related to employment or a job skill;

"(B) a State or Federal work-study program under part C of title IV of the Higher Education Act of 1965 or an internship related to vocational or postsecondary education, supervised by an eligible educational institution (as defined in section 404(h)(5)(A)); or

"(C) a course of study leading to adult literacy, in which English is taught as a second language, or leading to a certificate of high school equivalency, if the State considers the activities important to improving the ability of the individual to find and maintain employment.".

SEC. 405. LIMITED COUNTING OF CERTAIN ACTIVITIES LEADING TO EMPLOYMENT AS WORK ACTIVITY.

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

(1) by striking "and" at the end of paragraph (11);

(2) by striking the period at the end of paragraph (12) and inserting "; and"; and

(3) by adding at the end the following:

"(13) Up to 6 months of participation (as determined by the State) in services designed to improve future employment opportunities, including substance abuse treatment services, services to address sexual or domestic violence, and physical rehabilitation and mental health services.".

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

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

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

(1) in the subsection heading, by striking "ASSISTANCE" and inserting "BENEFITS OR SERVICES"; and

(2) after the heading, by striking "assistance" and inserting "any benefit or service that may be provided".

SEC. 407. DEFINITION OF ASSISTANCE.

(a) IN GENERAL.—Section 419 (42 U.S.C. 619) is amended by adding at the end the following:

"(6) ASSISTANCE.—

"(A) IN GENERAL.—The term 'assistance' means payment, by cash, voucher, or other means, to or for an individual or family for the purpose of meeting a subsistence need of the individual or family (including food, clothing, shelter, and related items, but not including costs of transportation or child care).

"(B) EXCEPTION.—The term 'assistance' does not include a payment described in subparagraph (A) to or for an individual or family on a short-term, nonrecurring basis (as defined by the State).".

(b) CONFORMING AMENDMENTS.—

(1) Section 404(a)(1) (42 U.S.C. 604(a)(1)) is amended by striking "assistance" and inserting "aid".

(2) Section 404(f) (42 U.S.C. 604(f)) is amended by striking "assistance" and inserting "benefits or services".

(3) Section 408(a)(5)(B)(i) (42 U.S.C. 608(a)(5)(B)(i)) is amended in the heading by striking "ASSISTANCE" and inserting "AID".

SEC. 408. CONTINUATION OF PRE-WELFARE REFORM WAIVERS.

Section 415 (42 U.S.C. 615) is amended by adding at the end the following:

"(c) CONTINUATION OF WAIVERS APPROVED OR SUBMITTED BEFORE DATE OF ENACTMENT OF WELFARE REFORM.—Notwithstanding subsection (a), with respect to any State that is operating under a waiver described in subsection (a) which would otherwise expire on a date that occurs in the period that begins on September 30, 2002, and ends on September 30, 2008, the State may elect to continue to operate under the waiver, on the same terms and conditions as applied to the waiver on the day before such date, through September 30, 2008.".

TITLE V—PROMOTING FAMILY FORMATION AND RESPONSIBLE PARENTING

SEC. 501. FAMILY FORMATION FUND.

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

"(2) FAMILY FORMATION FUND.—

"(A) IN GENERAL.—The Secretary shall provide grants to States and localities for research, technical assistance, and demonstration projects to promote and fund best practices in the following areas:

"(i) Promoting the formation of 2-parent families.

"(ii) Reducing teenage pregnancies.

"(iii) Increasing the ability of noncustodial parents to financially support and be involved with their children.

"(B) ALLOCATION OF FUNDS.—In making grants under this paragraph, the Secretary shall ensure that not less than 30 percent of the funds made available pursuant to this paragraph for a fiscal year are used in each of the areas described in subparagraph (A).

"(C) CONSIDERATION OF DOMESTIC VIOLENCE IMPACT.—In making grants under this paragraph, the Secretary shall consider the potential impact of a project on the incidence of domestic violence.

"(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2004 through 2008 $100,000,000 for grants under this paragraph.".

SEC. 502. DISTRIBUTION OF CHILD SUPPORT COLLECTED BY STATES ON BEHALF OF CHILDREN RECEIVING CERTAIN WELFARE BENEFITS.

(a) MODIFICATION OF RULE REQUIRING ASSIGNMENT OF SUPPORT RIGHTS AS A CONDITION OF RECEIVING TANF.—Section 408(a)(3) (42 U.S.C. 608(a)(3)) is amended to read as follows:

"(3) NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of

assistance paid to the family under the program, which accrues during the period that the family receives assistance under the program.".

(b) INCREASING CHILD SUPPORT PAYMENTS TO FAMILIES AND SIMPLIFYING CHILD SUPPORT DISTRIBUTION RULES.—

(1) DISTRIBUTION RULES.—

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

"(a) IN GENERAL.—Subject to subsections (d) and (e), the amounts collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

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

"(A) pay to the Federal Government the Federal share of the amount collected, subject to paragraph (3)(A);

"(B) retain, or pay to the family, the State share of the amount collected, subject to paragraph (3)(B); and

"(C) pay to the family any remaining amount.

"(2) FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.—In the case of a family that formerly received assistance from the State:

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

"(B) ARREARAGES.—To the extent that the amount collected exceeds the current support amount, the State—

"(i) shall first pay to the family the excess amount, to the extent necessary to satisfy support arrearages not assigned pursuant to section 408(a)(3);

"(ii) if the amount collected exceeds the amount required to be paid to the family under clause (i), shall—

"(I) pay to the Federal Government, the Federal share of the excess amount described in this clause, subject to paragraph (3)(A); and

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

"(iii) shall pay to the family any remaining amount.

"(3) LIMITATIONS.—

"(A) FEDERAL REIMBURSEMENTS.—The total of the amounts paid by the State to the Federal Government under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the Federal share of the amount assigned with respect to the family pursuant to section 408(a)(3).

"(B) STATE REIMBURSEMENTS.—The total of the amounts retained by the State under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the State share of the amount assigned with respect to the family pursuant to section 408(a)(3).

"(4) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall pay the amount collected to the family.

"(5) FAMILIES UNDER CERTAIN AGREEMENTS.—Notwithstanding paragraphs (1) through (4), in the case of an amount

collected for a family in accordance with a cooperative agreement under section 454(33), the State shall distribute the amount collected pursuant to the terms of the agreement.

"(6) STATE FINANCING OPTIONS.—To the extent that the State share of the amount payable to a family for a month pursuant to paragraph (2)(B) of this subsection exceeds the amount that the State estimates (under procedures approved by the Secretary) would have been payable to the family for the month pursuant to former section 457(a)(2) (as in effect for the State immediately before the date this subsection first applies to the State) if such former section had remained in effect, the State may elect to use the grant made to the State under section 403(a) to pay the amount, or to have the payment considered a qualified State expenditure for purposes of section 409(a)(7), but not both.

"(7) STATE OPTION TO PASS THROUGH ADDITIONAL SUPPORT WITH FEDERAL FINANCIAL PARTICIPATION.—

"(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is not a recipient of assistance under the State program funded under part A, to the extent that the State pays the amount to the family and disregards the payment for purposes of paying benefits under the State program funded under part A.

"(B) RECIPIENTS OF TANF FOR LESS THAN 5 YEARS.—Notwithstanding paragraphs (1) and (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is a recipient of assistance under the State program funded under part A and that has received the assistance for not more than 5 years after the date of the enactment of this paragraph, to the extent that the State pays the amount to the family.".

(B) APPROVAL OF ESTIMATION PROCEDURES.—Not later than October 1, 2003, the Secretary of Health and Human Services, in consultation with the States (as defined for purposes of part D of title IV of the Social Security Act), shall establish the procedures to be used to make the estimate described in section 457(a)(6) of such Act.

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

"(5) CURRENT SUPPORT AMOUNT.—The term 'current support amount' means, with respect to amounts collected as support on behalf of a family, the amount designated as the monthly support obligation of the noncustodial parent in the order requiring the support.".

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

(1) by striking "and" at the end of paragraph (32);

(2) by striking the period at the end of paragraph (33) and inserting "; and"; and

(3) by inserting after paragraph (33) the following:

"(34) provide that the State shall not use the State program operated under this part to collect any amount owed to the

State by reason of costs incurred under the State plan approved under title XIX for the birth of a child for whom support rights have been assigned pursuant to section 408(a)(3), 471(a)(17), or 1912.".

(d) STATE OPTION TO DISCONTINUE CERTAIN SUPPORT ASSIGNMENTS.—Section 457(b) (42 U.S.C. 657(b)) is amended by striking "shall" and inserting "may".

(e) CONFORMING AMENDMENTS.—

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

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

(A) by striking "or" at the end of paragraph (1);

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

(C) by adding at the end the following:

"(3) to fund payment of an amount pursuant to clause (i) or (ii) of section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to use the grant to fund the payment.".

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

"(V) PORTIONS OF CERTAIN CHILD SUPPORT PAYMENTS COLLECTED ON BEHALF OF AND DISTRIBUTED TO FAMILIES NO LONGER RECEIVING ASSISTANCE.—Any amount paid by a State pursuant to clause (i) or (ii) of section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to have the payment considered a qualified State expenditure.".

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2) of this subsection and section 901(b) of this Act, the amendments made by this section shall take effect on October 1, 2007, and shall apply to payments under parts A and D of title IV of the Social Security Act for calendar quarters beginning on or after such date, without regard to whether regulations to implement the amendments are promulgated by such date.

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

SEC. 503. ELIMINATION OF SEPARATE WORK PARTICIPATION RATE FOR 2-PARENT FAMILIES.

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

(1) in subsection (a), by striking paragraph (2); and

(2) in subsection (b)—

(A) by striking paragraph (2);

(B) in paragraph (4), by striking "paragraphs (1)(B) and (2)(B)" and inserting "paragraph (1)(B)";

(C) in paragraph (5), by striking "rates" and inserting "rate"; and

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

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

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

"(13) BAN ON IMPOSITION OF STRICTER ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES.—

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

"(B) STATE OPT-OUT.—Subparagraph (A) shall not apply to a State if the State legislature, by law, has elected to make subparagraph (A) inapplicable to the State.".

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

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

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(13) 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 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.".

SEC. 505. EXTENSION OF ABSTINENCE EDUCATION FUNDING UNDER MATERNAL AND CHILD HEALTH PROGRAM.

(a) IN GENERAL.—Section 510(d) (42 U.S.C. 710(d)) is amended by striking "2002" and inserting "2008".

(b) PURPOSE OF ALLOTMENTS.—For each of the fiscal years 2004 through 2008, section 510(b)(1) of the Social Security Act is deemed to read as follows: "(1) The purpose of an allotment under subsection (a) to a State is to enable the State to provide abstinence education, and at the option of the State—

"(A) programs that the State defines as an appropriate approach to abstinence education that educates those who are currently sexually active or at risk of sexual activity about methods to reduce unintended pregnancy or other health risks; and

"(B) where appropriate, mentoring, counseling, and adult supervision to promote abstinence from sexual activity, with a focus on those groups which are most likely to bear children out-of-wedlock.".

(c) MEDICALLY AND SCIENTIFICALLY ACCURATE INFORMATION.—For each of the fiscal years 2004 through 2008, there is deemed to appear in the matter preceding subparagraph (A) of section 510(b)(2) of such Act the phrase "a medically and scientifically accurate educational" in lieu of the phrase "an educational", and

there is deemed to appear after and below subparagraph (H) of such section the following:

"For purposes of this section, the term 'medically accurate', with respect to information, means information that is supported by research, recognized as accurate and objective by leading medical, psychological, psychiatric, and public health organizations and agencies, and where relevant, published in peer review journals.".

(d) EFFECTIVE MODELS FOR PROGRAMS.—For each of the fiscal years 2004 through 2008, section 510 of such Act is deemed to have at the end the following subsection:

"(e)(1) None of the funds appropriated in this section shall be expended for a program unless the program is based on a model that has been demonstrated to be effective in reducing unwanted pregnancy, or in reducing the transmission of a sexually transmitted disease or the human immunodeficiency virus.

"(2) The requirement of paragraph (1) shall not apply to programs that have been approved and funded under this section on or before April 19, 2002.".

(e) COMPARATIVE EVALUATION OF ABSTINENCE EDUCATION PROGRAMS.—

(1) STUDY.—The Secretary of Health and Human Services (referred to in this subsection as the "Secretary") shall, in consultation with an advisory panel of researchers identified by the Board on Children Youth and Families of the National Academy of Sciences, conduct an experimental study directly or through contract or interagency agreement which assesses the relative efficacy of two approaches to abstinence education for adolescents. The study design should enable a comparison of the efficacy of an abstinence program which precludes education about contraception with a similar abstinence program which includes education about contraception. Key outcomes that should be measured in the study include rates of sexual activity, pregnancy, birth, and sexually transmitted diseases.

(2) REPORT.—Not later than 5 years after the date of the enactment of this Act, the Secretary shall submit a report to Congress the available findings regarding the comparative analysis.

(3) FUNDING.—For the purpose of carrying out this subsection, there are authorized to be appropriated such sums as may be necessary for each of the fiscal years 2004 through 2008.

TITLE VI—RESTORING FAIRNESS FOR IMMIGRANT FAMILIES

SEC. 601. TREATMENT OF ALIENS UNDER THE TANF PROGRAM.

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

"(L) Benefits under the Temporary Assistance for Needy Families program described in section 402(b)(3)(A).".

(b) BENEFITS NOT SUBJECT TO REIMBURSEMENT.—Section 423(d) of the Personal Responsibility and Work Opportunity Reconciliation

Act of 1996 (8 U.S.C. 1138a note) is amended by adding at the end the following:

"(12) Benefits under part A of title IV of the Social Security Act except for cash assistance provided to a sponsored alien who is subject to deeming pursuant to section 408(h) of the Social Security Act.".

(c) TREATMENT OF ALIENS.—Section 408 (42 U.S.C. 608) is amended by adding at the end the following:

"(h) SPECIAL RULES RELATING TO THE TREATMENT OF 213A ALIENS.—

"(1) IN GENERAL.—In determining whether a 213A alien is eligible for cash assistance under a State program funded under this part, and in determining the amount or types of such assistance to be provided to the alien, the State shall apply the rules of paragraphs (1), (2), (3), (5), and (6) of subsection (f) of this section by substituting '213A' for 'non-213A' each place it appears, subject to section 421(e) of the Personal Responsibility and Work Opportunity Reconcilation Act of 1996, and subject to section 421(f) of such Act (which shall be applied by substituting 'section 408(h) of the Social Security Act' for 'subsection (a)').

"(2) 213A ALIEN DEFINED.—An alien is a 213A alien for purposes of this subsection if the affidavit of support or similar agreement with respect to the alien that was executed by the sponsor of the alien's entry into the United States was executed pursuant to section 213A of the Immigration and Nationality Act.".

(d) EFFECTIVE DATE AND APPLICABILITY.—

(1) EFFECTIVE DATE.—The amendments made by this section shall take effect October 1, 2003.

(2) APPLICABILITY.—The amendments made by this section shall apply to benefits provided on or after the effective date of this section.

SEC. 602. OPTIONAL COVERAGE OF LEGAL IMMIGRANTS UNDER THE MEDICAID PROGRAM AND SCHIP.

(a) MEDICAID PROGRAM.—Section 1903(v) (42 U.S.C. 1396b(v)) is amended—

(1) in paragraph (1), by striking "paragraph (2)" and inserting "paragraphs (2) and (4)"; and

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

"(4)(A) A State may elect (in a plan amendment under this title) to provide medical assistance under this title, notwithstanding sections 401(a), 402(b), 403, and 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, for aliens who are lawfully residing in the United States (including battered aliens described in section 431(c) of such Act) and who are otherwise eligible for such assistance, within either or both of the following eligibility categories:

"(i) PREGNANT WOMEN.—Women during pregnancy (and during the 60-day period beginning on the last day of the pregnancy).

"(ii) CHILDREN.—Children (as defined under such plan), including optional targeted low-income children described in section 1905(u)(2)(B).

"(B) In the case of a State that has elected to provide medical assistance to a category of aliens under subparagraph (A), no debt shall accrue under an affidavit of support against any sponsor of such an alien on the basis of provision of assistance to such category and the cost of such assistance shall not be considered as an unreimbursed cost.".

(b) SCHIP.—Section 2107(e)(1) (42 U.S.C. 1397gg(e)(1)) as amended by section 803 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, as enacted into law by section 1(a)(6) of Public Law 106–554, is amended by redesignating subparagraphs (C) and (D) as subparagraph (D) and (E), respectively, and by inserting after subparagraph (B) the following new subparagraph:

"(C) Section 1903(v)(4) (relating to optional coverage of categories of permanent resident alien children), but only if the State has elected to apply such section to the category of children under title XIX.".

(c) EFFECTIVE DATE.—The amendments made by this section take effect on October 1, 2003, and apply to medical assistance and child health assistance furnished on or after such date.

SEC. 603. ELIGIBILITY OF DISABLED CHILDREN WHO ARE QUALIFIED ALIENS FOR SSI.

(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 inserting after subparagraph (K) the following new subparagraph:

"(L) SSI EXCEPTION FOR DISABLED CHILDREN.—With respect to eligibility for benefits for the specified Federal program described in paragraph (3)(A), paragraph (1) shall not apply to a child who is considered disabled for purposes of the supplemental security income program under title XVI of the Social Security Act.".

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on October 1, 2003, and apply to benefits furnished on or after such date.

TITLE VII—ENSURING STATE ACCOUNTABILITY

SEC. 701. EXTENSION OF MAINTENANCE-OF-EFFORT REQUIREMENT.

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

(1) in subparagraph (A) by striking "fiscal year 1998, 1999, 2000, 2001, 2002, or 2003" and inserting "fiscal year 2003, 2004, 2005, 2006, 2007, 2008, or 2009"; and

(2) in subparagraph (B)(ii)—

(A) by inserting "preceding" before "fiscal year"; and

(B) by striking "for fiscal years 1997 through 2002,".

SEC. 702. BAN ON USING FEDERAL TANF FUNDS TO REPLACE STATE AND LOCAL SPENDING THAT DOES NOT MEET THE DEFINITION OF QUALIFIED STATE EXPENDITURES.

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

"(14) BAN ON USING FEDERAL TANF FUNDS TO REPLACE STATE OR LOCAL SPENDING THAT DOES NOT MEET THE DEFINITION OF

QUALIFIED STATE EXPENDITURES.—A State to which a grant is made under section 403 and a sub-State entity that receives funds from such a grant shall not expend any part of the grant funds to supplant State or local spending for benefits or services which are not qualified State expenditures (within the meaning of section 409(a)(7)(B)(i)).".

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

"(17) PENALTY FOR USING FEDERAL TANF FUNDS TO REPLACE STATE OR LOCAL SPENDING THAT DOES NOT MEET THE DEFINITION OF QUALIFIED STATE EXPENDITURES.—

"(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(14) 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 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.".

TITLE VIII—IMPROVING INFORMATION ABOUT TANF RECIPIENTS AND PROGRAMS

SEC. 801. EXTENSION OF FUNDING OF STUDIES AND DEMONSTRATIONS.

Section 413(h)(1) (42 U.S.C. 613(h)(1)) is amended by striking "2002" and inserting "2008".

SEC. 802. LONGITUDINAL STUDIES OF EMPLOYMENT AND EARNINGS OF TANF LEAVERS.

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

(1) in subsection (h)(1)—

(A) by striking "and" at the end of subparagraph (C);

(B) by striking the period and inserting "; and"; and

(C) by adding at the end the following:

"(E) the cost of conducting the studies described in subsection (k).."; and

(2) by adding at the end the following:

"(k) LONGITUDINAL STUDIES OF EMPLOYMENT AND EARNINGS OF TANF LEAVERS.—

"(1) IN GENERAL.—The Secretary, directly or through grants, contracts, or interagency agreements shall conduct a study in each eligible State of a statistically relevant cohort of individuals who leave the State program funded under this part during fiscal year 2004 and individuals who leave the program during fiscal year 2006, which uses State unemployment insurance data to track the employment and earnings status of the individuals during the 3-year period beginning at the time the individuals leave the program.

"(2) REPORTS.—The Secretary shall annually publish the findings of the studies conducted pursuant to paragraph (1) of

this subsection, and shall annually publish the earnings data used in making determinations under section 407(b).".

SEC. 803. INCLUSION OF DISABILITY STATUS IN INFORMATION STATES REPORT ABOUT TANF FAMILIES.

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

"(xviii) Whether the head of the family has a significant physical or mental impairment.

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

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

"(3) the characteristics of each State program funded under this part, including, with respect to each program funded with amounts provided under this part or with amounts the expenditure of which is counted as a qualified State expenditure for purposes of section 409(a)(7)—

"(A) the name of the program;

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

"(C) the purpose of the program;

"(D) the main activities of the program;

"(E) the total amount received by the program from amounts provided under this part;

"(F) the total of the amounts received by the program that are amounts the expenditure of which are counted as qualified State expenditures for purposes of section 409(a)(7);

"(G) the total funding level of the program;

"(H) the total number of individuals served by the program, and the number of such individuals served specifically with funds provided under this part or with amounts the expenditure of which are counted as qualified State expenditures for purposes of section 409(a)(7); and

"(I) the eligibility criteria for participation in the program;".

SEC. 805. ENHANCEMENT OF UNDERSTANDING OF THE REASONS INDIVIDUALS LEAVE STATE TANF PROGRAMS.

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

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

(1) by striking "or" at the end of subclause (IV);

(2) by striking the period at the end and inserting "; or"; or

(3) by adding at the end the following:

"(VI) a reason specified in the list developed under section 805(a) of the Next Step in Reforming Welfare Act.".

SEC. 806. STANDARDIZED STATE PLANS.

Within 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services, after consulting with the States, shall establish a standardized format which States shall use to submit plans under section 402(a) of the Social Security Act for fiscal year 2005 and thereafter.

SEC. 807. STUDY BY THE CENSUS BUREAU.

(a) IN GENERAL.—Section 414(a) (42 U.S.C. 614(a)) is amended to read as follows:

"(a) IN GENERAL.—The Bureau of the Census shall implement a new longitudinal survey of program dynamics, developed in consultation with the Secretary and made available to interested parties, to allow for the assessment of the outcomes of continued welfare reform on the economic and child well-being of low-income families with children, including those who received assistance or services from a State program funded under this part, and, to the extent possible, shall provide State representative samples.".

(b) APPROPRIATION.—Section 414(b) (42 U.S.C. 614(b)) is amended by striking "1996," and all that follows through "2002" and inserting "2004 through 2008".

SEC. 808. ACCESS TO WELFARE; WELFARE OUTCOMES.

Section 411 (42 U.S.C. 611) is amended by adding at the end the following:

"(c) ANNUAL REPORTS ON WELFARE ACCESS AND OUTCOMES.—

"(1) STATE REPORTS.—Not later than January 1 of each fiscal year, each eligible State shall collect and report to the Secretary, with respect to the preceding fiscal year, the following information:

"(A) The number of applications for assistance from the State program funded under this part, the percentage that are approved versus those that are disapproved, and the reasons for disapproval, broken down by race.

"(B) A copy of all rules and policies governing the State program funded under this part that are not required by Federal law, and a summary of the rules and policies, including the amounts and types of assistance provided and the types of sanctions imposed under the program.

"(C) The types of occupations of, types of job training received by, and types and levels of educational attainment of recipients of assistance from the State program funded under this part, broken down by gender and race.

"(2) USE OF SAMPLING.—A State may comply with this subsection by using a scientifically acceptable sampling method approved by the Secretary.

"(3) REPORT TO THE CONGRESS.—Not later than June 1 of each fiscal year, the Secretary shall prepare and submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, publish in the Federal Register, and make available to the public a compilation of the reports submitted pursuant to paragraph (1) for the preceding fiscal year.".

TITLE IX—EFFECTIVE DATE

SEC. 901. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in sections 208 and 502(f) and in subsection (b) of this section, the amendments made by this Act shall take effect on October 1, 2003, and shall apply to payments under parts A and D of title IV of the Social Security Act for calendar quarters beginning on or after such date, without regard to whether regulations to implement the amendments are promulgated by such date.

(b) DELAY PERMITTED IF STATE LEGISLATION REQUIRED.—In the case of a State plan under section 402(a) or 454 of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by this Act, the State plan shall not be regarded as failing to comply with the requirements of such section 402(a) or 454 solely on the basis of the failure of the plan to meet such additional requirements before the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

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