

**PERSONAL RESPONSIBILITY  
AND WORK OPPORTUNITY  
RECONCILIATION ACT  
OF 1996**

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**H.R. 3734**

**PUBLIC LAW 104-193  
104TH CONGRESS**

**Volumes 1 to 19**

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**BILLS, REPORTS,  
DEBATES, AND ACT**

**Social Security Administration**

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**Office of the Deputy Commissioner for  
Legislation and Congressional Affairs**

## **PREFACE**

This 19-volume compilation contains historical documents pertaining to P.L. 104-193, the "Personal Responsibility and Work Opportunity Act of 1996." The books contain congressional debates, a chronological compilation of documents pertinent to the legislative history of the public law and relevant reference materials.

Pertinent documents include:

- o Differing versions of key bills
- o Committee reports
- o Excerpts from the Congressional Record
- o The Public Law

This history is prepared by the Office of the Deputy Commissioner for Legislation and Congressional Affairs and is designed to serve as a helpful resource tool for those charged with interpreting laws administered by the Social Security Administration.

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- G. H.R. 1250, "Family Stability and Work Act of 1995," introduced March 15, 1995 (excerpts). This bill was offered as a Democratic substitute for H.R. 4/H.R. 1214. It failed to pass the House on March 23, 1995 by a vote of 96-336.
- H. H.R. 1267, "Individual Responsibility Act of 1995" introduced March 21, 1995 (excerpts). This bill was offered as a Democratic substitute for H.R. 4/H.R. 1214 that maintained several key Republican welfare reform provisions while also keeping the Federal entitlement for cash benefits, school lunches and other social programs. It failed to pass the House on March 23, 1995 by a vote of 205-228.
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- C. H.R. 3832, "Bipartisan Welfare Reform Act of 1996) as introduced July 17, 1996 (excerpts). This bill was offered as a substitute amendment to H.R. 3734 but failed to pass the House on July 18, 1996 by a vote of 168-228. H.R. 3832 was similar to H.R. 3266 introduced earlier in 1996.
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- B. "Major Welfare Reforms Enacted in 1996", Social Security Bulletin, Volume 59, No.3, Fall 1996
- C. Other House Bills
1. H.R. 2903, "Balanced Budget Act of 1995 for Economic Growth and Fairness"--as introduced January 26, 1996 (excerpts). This was the text of President Clinton's balanced-budget plan. It included some provisions of interest, but did not include major welfare reform provisions.
  2. H.R. 2915, "Personal Responsibility and Work Opportunity Act"--as introduced January 31, 1996 (excerpts). Companion bill to S. 1823. These bills reflect proposals presented in a bipartisan plan by the National Governors Association in early 1996.

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3. H.R. 3266, "Bipartisan Welfare Reform Act of 1996"--as introduced on April 17, 1996 (excerpts). Companion bill to S. 1867. These bills are a compromise between H.R. 4, which was vetoed, and proposals presented in a bipartisan plan by the National Governors Association in early 1996.

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4. H.R. 3507, "Personal Responsibility and Work Opportunity Act of 1996"--as introduced--May 22, 1996 (excerpts). Companion bill to S. 1795.
5. H.R. 3612, "Work First and Personal Responsibility Act of 1996"--as introduced June 4, 1996 (excerpts). Administration Welfare Reform Bill--companion bill to S. 1841.

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- D. Ways and Means Committee Print 104-15 "Summary of Welfare Reforms Made by Public Law 104-193"--November 6, 1996 (text only)
- E. Administration Welfare Reform Bill--103rd Congress (1994-1995)

H.R. 4605, "Work Responsibility Act of 1994"--as introduced June 21, 1994 (excerpts). This bill and the Senate companion bill (S. 2224) were the Administration's Welfare Reform proposals in the 103rd Congress.

104TH CONGRESS  
1ST SESSION

# H. R. 2491

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IN THE SENATE OF THE UNITED STATES

OCTOBER 27 (legislative day, OCTOBER 26), 1995

Received

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## AN ACT

To provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

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

3        **SECTION 1. SHORT TITLE.**

4        This Act may be cited as the “Seven-Year Balanced  
5        Budget Reconciliation Act of 1995”.

6        **SEC. 2. TABLE OF TITLES.**

7        This Act is organized into titles as follows:

Title I—Committee on Agriculture  
 Title II—Committee on Banking and Financial Services  
 Title III—Committee on Commerce  
 Title IV—Committee on Economic and Educational Opportunities  
 Title V—Committee on Government Reform and Oversight  
 Title VI—Committee on International Relations  
 Title VII—Committee on the Judiciary  
 Title VIII—Committee on National Security  
 Title IX—Committee on Resources  
 Title X—Committee on Transportation and Infrastructure  
 Title XI—Committee on Veterans' Affairs  
 Title XII—Committee on Ways and Means-Trade  
 Title XIII—Committee on Ways and Means-Revenues  
 Title XIV—Committee on Ways and Means-Tax Simplification  
 Title XV—Preserving, Protecting, and Strengthening Medicare  
 Title XVI—Transformation of the Medicaid Program  
 Title XVII—Abolishment of Department of Commerce  
 Title XVIII—Welfare Reform  
 Title XIX—Contract with America-Tax Relief  
 Title XX—Budget Enforcement

1           **TITLE I—COMMITTEE ON**  
 2                           **AGRICULTURE**

3   **SEC. 1001. SHORT TITLE AND TABLE OF CONTENTS.**

4       (a) **SHORT TITLE.**—This title may be cited as the  
 5 “Agricultural Reconciliation Act of 1995”.

6       (b) **TABLE OF CONTENTS.**—The table of contents of  
 7 this title is as follows:

**TITLE I—COMMITTEE ON AGRICULTURE**

Sec. 1001. Short title and table of contents.

**Subtitle A—Freedom to Farm**

Sec. 1101. Short title.

Sec. 1102. Seven-year contracts to improve farming certainty and flexibility.

Sec. 1103. Availability of nonrecourse marketing assistance loans for wheat,  
 feed grains, cotton, rice, and oilseeds.

Sec. 1104. Reform of payment limitation provisions of Food Security Act of  
 1985.

Sec. 1105. Suspension of certain provisions regarding program crops.

**Subtitle B—Dairy**

**CHAPTER 1—AUTHORIZATION OF MARKET TRANSITION PAYMENTS IN LIEU  
 OF MILK PRICE SUPPORT PROGRAM**

Sec. 1201. Seven-year market transition contracts for milk producers.



1 (b) CLERICAL AMENDMENT.—The table of sections  
 2 for chapter 77 is amended by adding at the end the follow-  
 3 ing new item:

“Sec. 7524. Cooperative agreements with State tax authorities.”

4 **TITLE XV—PRESERVING, PRO-**  
 5 **TECTING, AND STRENGTHEN-**  
 6 **ING MEDICARE**

7 H.R. 2425 as passed the House of Representatives  
 8 is hereby enacted into law.

9 **TITLE XVI—TRANSFORMATION**  
 10 **OF THE MEDICAID PROGRAM**

11 **SEC. 16000. SHORT TITLE.**

12 This title may be cited as the “Medicaid Trans-  
 13 formation Act of 1995”.

14 **SEC. 16001. TRANSFORMATION OF MEDICAID PROGRAM.**

15 The Social Security Act is amended by adding at the  
 16 end the following new title:

17 “TITLE XXI—MEDIGRANT PROGRAM FOR LOW-  
 18 INCOME INDIVIDUALS AND FAMILIES

19 “TABLE OF CONTENTS OF TITLE

“Sec. 2100. Purpose; State MediGrant plans.

“PART A—OBJECTIVES, GOALS, AND PERFORMANCE UNDER STATE PLANS

“Sec. 2101. Description of strategic objectives and performance goals.

“Sec. 2102. Annual reports.

“Sec. 2103. Periodic, independent evaluations.

“Sec. 2104. Description of process for MediGrant plan development.

“Sec. 2105. Consultation in MediGrant plan development.

“Sec. 2106. MediGrant Task Force.

“PART B—ELIGIBILITY, BENEFITS, AND SET-ASIDES

- “Sec. 2111. General description of eligibility and benefits.
- “Sec. 2112. Set-asides of funds for population groups.
- “Sec. 2113. Premiums and cost-sharing.
- “Sec. 2114. Description of process for developing capitation payment rates.
- “Sec. 2115. Preventing spousal impoverishment.
- “Sec. 2116. Construction.
- “Sec. 2117. Limitations on causes of action.

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“PART D—PROGRAM INTEGRITY AND QUALITY

- “Sec. 2131. Use of audits to achieve fiscal integrity.
- “Sec. 2132. Fraud prevention program.
- “Sec. 2133. Information concerning sanctions taken by State licensing authorities against health care practitioners and providers.
- “Sec. 2134. State MediGrant fraud control units.
- “Sec. 2135. Recoveries from third parties and others.
- “Sec. 2136. Assignment of rights of payment.
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- “Sec. 2153. Process for State withdrawal from program.
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- “Sec. 2155. Secretarial authority.

“PART F—GENERAL PROVISIONS

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- “Sec. 2172. Treatment of territories.
- “Sec. 2173. Description of treatment of Indian Health Service facilities.
- “Sec. 2174. Application of certain general provisions.
- “Sec. 2175. MediGrant master drug rebate agreements.

1 **“SEC. 2100. PURPOSE; STATE MEDIGRANT PLANS.**

2       “(a) **PURPOSE.**—The purpose of this title is to pro-  
 3 vide block grants to States to enable them to provide medi-  
 4 cal assistance to low-income individuals and families in a  
 5 more effective, efficient, and responsive manner.

6       “(b) **STATE PLAN REQUIRED.**—A State is not eligible  
 7 for payment under section 2122 of this title unless the

1 State has submitted to the Secretary under part E a plan  
2 (in this title referred to as a ‘MediGrant plan’) that—

3 “(1) sets forth how the State intends to use the  
4 funds provided under this title to provide medical as-  
5 sistance to needy individuals and families consistent  
6 with the provisions of this title, and

7 “(2) is approved under such part.

8 “(c) CONTINUED APPROVAL.—An approved  
9 MediGrant plan shall continue in effect unless and until—

10 “(1) the State amends the plan under section  
11 2152,

12 “(2) the State terminates participation under  
13 this title under section 2153, or

14 “(3) the Secretary finds substantial noncompli-  
15 ance of the plan with the requirements of this title  
16 under section 2154.

17 “(d) STATE ENTITLEMENT.—This title constitutes  
18 budget authority in advance of appropriations Acts, and  
19 represents the obligation of the Federal Government to  
20 provide for the payment to States of amounts provided  
21 under part C.

1     “PART A—OBJECTIVES, GOALS, AND PERFORMANCE  
2    UNDER STATE PLANS

3     “SEC. 2101. DESCRIPTION OF STRATEGIC OBJECTIVES AND  
4    PERFORMANCE GOALS.

5             “(a) DESCRIPTION.—A MediGrant plan shall include  
6 a description of the strategic objectives and performance  
7 goals the State has established for providing health care  
8 services to low-income populations under this title, includ-  
9 ing a general description of the manner in which the plan  
10 is designed to meet these objectives and goals.

11            “(b) CERTAIN OBJECTIVES AND GOALS RE-  
12 QUIRED.—A MediGrant plan shall include strategic objec-  
13 tives and performance goals relating to rates of childhood  
14 immunizations and reductions in infant mortality and  
15 morbidity.

16            “(c) CONSIDERATIONS.—In specifying these objec-  
17 tives and goals the State may consider factors such as the  
18 following:

19                 “(1) The State’s priorities with respect to such  
20 areas as providing assistance to low-income popu-  
21 lations.

22                 “(2) The State’s priorities with respect to the  
23 general public health and the health status of indi-  
24 viduals eligible for assistance under the MediGrant  
25 plan.

1           “(3) The State’s financial resources, the par-  
2           ticular economic conditions in the State, and relative  
3           adequacy of the health care infrastructure in dif-  
4           ferent regions of the State.

5           “(d) PERFORMANCE MEASURES.—To the extent  
6           practicable—

7           “(1) one or more performance goals shall be es-  
8           tablished by the State for each strategic objective  
9           identified in the MediGrant plan; and

10           “(2) the MediGrant plan shall describe, how  
11           program performance will be—

12           “(A) measured through objective, inde-  
13           pendently verifiable means, and

14           “(B) compared against performance goals,  
15           in order to determine the State’s performance  
16           under this title.

17           “(e) PERIOD COVERED.—

18           “(1) STRATEGIC OBJECTIVES.—The strategic  
19           objectives shall cover a period of not less than 5  
20           years and shall be updated and revised at least every  
21           3 years.

22           “(2) PERFORMANCE GOALS.—The performance  
23           goals shall be established for dates that are not more  
24           than 3 years apart.

## 1 "SEC. 2102. ANNUAL REPORTS.

2       “(a) IN GENERAL.—In the case of a State with a  
3 MediGrant plan that is in effect for part or all of a fiscal  
4 year, no later than March 31 following such fiscal year  
5 (or March 31, 1998, in the case of fiscal year 1996) the  
6 State shall prepare and submit to the Secretary and the  
7 Congress a report on program activities and performance  
8 under this title for such fiscal year.

9       “(b) CONTENTS.—Each annual report under this sec-  
10 tion for a fiscal year shall include the following:

11               “(1) EXPENDITURE AND BENEFICIARY SUM-  
12 MARY.—

13                       “(A) INITIAL SUMMARY.—For the report  
14 for fiscal year 1997 (and, if applicable, fiscal  
15 year 1996), a summary of all expenditures  
16 under the MediGrant plan during the fiscal  
17 year (and during any portions of fiscal year  
18 1996 during which the MediGrant plan was in  
19 effect under this title) as follows:

20                               “(i) Aggregate medical assistance ex-  
21 penditures, disaggregated to the extent re-  
22 quired to determine compliance with the  
23 set-aside requirements of subsections (a)  
24 through (c) section 2112 and to compute  
25 the case mix index under section  
26 2121(d)(3).

1           “(ii) For each general category of eli-  
2           gible individuals (specified in subsection  
3           (c)(1), aggregate medical assistance ex-  
4           penditures and the total and average num-  
5           ber of eligible individuals under the  
6           MediGrant plan.

7           “(iii) By each general category of eli-  
8           gible individuals, total expenditures for  
9           each of the categories of health care items  
10          and services (specified in subsection (c)(2))  
11          which are covered under the MediGrant  
12          plan and provided on a fee-for-service  
13          basis.

14          “(iv) By each general category of eli-  
15          gible individuals, total expenditures for  
16          payments to capitated health care organi-  
17          zations (as defined in section 2114(c)(1)).

18          “(v) Total administrative expendi-  
19          tures.

20          “(B) SUBSEQUENT SUMMARIES.—For re-  
21          ports for each succeeding fiscal year, a sum-  
22          mary of—

23                 “(i) all expenditures under the  
24                 MediGrant plan consistent with the report-

1 ing format specified by the MediGrant  
2 Task Force under section 2106(d)(1), and

3 “(ii) the total and average number of  
4 eligible individuals under the MediGrant  
5 plan for each general category of eligible  
6 individuals.

7 “(2) UTILIZATION SUMMARY.—

8 “(A) INITIAL SUMMARY.—For the report  
9 for fiscal year 1997 (and, if applicable, fiscal  
10 year 1996), summary statistics on the utiliza-  
11 tion of health care services under the  
12 MediGrant plan during the year (and during  
13 any portions of fiscal year 1996 during which  
14 the MediGrant plan was in effect under this  
15 title) as follows:

16 “(i) For each general category of eli-  
17 gible individuals and for each of the cat-  
18 egories of health care items and services  
19 which are covered under the MediGrant  
20 plan and provided on a fee-for-service  
21 basis, the number and percentage of per-  
22 sons who received such a type of service or  
23 item during the period covered by the re-  
24 port.



1                   “(ii) Summary of health care utiliza-  
2                   tion data reported to the State by  
3                   capitated health care organizations.

4                   “(B) SUBSEQUENT SUMMARIES.—For re-  
5                   ports for each succeeding fiscal year, summary  
6                   statistics on the utilization of health care serv-  
7                   ices under the MediGrant plan consistent with  
8                   the reporting format specified by the  
9                   MediGrant Task Force under section  
10                  2106(d)(1).

11                  “(3) ACHIEVEMENT OF PERFORMANCE  
12                  GOALS.—With respect to each performance goal es-  
13                  tablished under section 2101 and applicable to the  
14                  year involved—

15                         “(A) a brief description of the goal;

16                         “(B) data on the actual performance with  
17                         respect to the goal;

18                         “(C) a review of the extent to which the  
19                         goal was achieved, based on such data; and

20                         “(D) where a performance goal has not  
21                         been met—

22                                 “(i) why the goal was not met, and

23                                 “(ii) actions to be taken in response  
24                                 to such performance (including adjust-

1                   ments in performance goals or program ac-  
2                   tivities for subsequent years).

3                   “(4) PROGRAM EVALUATIONS.—A summary of  
4                   the findings of evaluations under section 2103 com-  
5                   pleted during the fiscal year covered by the report.

6                   “(5) FRAUD AND ABUSE AND QUALITY CON-  
7                   TROL ACTIVITIES.—A general description of the  
8                   State’s activities under part D to detect and deter  
9                   fraud and abuse and to assure quality of services  
10                  provided under the program.

11                  “(6) PLAN ADMINISTRATION.—

12                  “(A) A description of the administrative  
13                  roles and responsibilities of entities in the State  
14                  responsible for administration of this title.

15                  “(B) Organizational charts for each entity  
16                  in the State primarily responsible for activities  
17                  under this title.

18                  “(C) A brief description of each interstate  
19                  compact (if any) the State has entered into  
20                  with other States with respect to activities  
21                  under this title.

22                  “(D) General citations to the State stat-  
23                  utes and administrative rules governing the  
24                  State’s activities under this title.

1           “(7) INPATIENT HOSPITAL PAYMENTS.—With  
2           respect to inpatient hospital services provided under  
3           the MediGrant plan on a fee-for-service basis, a de-  
4           scription of the average amount paid per discharge  
5           in the fiscal year compared either to the average  
6           charge for such services or to the State’s estimate  
7           of the average amount paid per discharge by com-  
8           mercial health insurers in the State.

9           “(c) DEFINITIONS.—In this section:

10           “(1) Each of the following is a general category  
11           of eligible individuals:

12                   “(A) Children.

13                   “(B) Blind or disabled adults under 65  
14           years of age.

15                   “(C) Persons 65 years of age or older.

16                   “(D) Other adults.

17           “(2) The health care items and services de-  
18           scribed in each subparagraph of section 2171(a)(1)  
19           shall be considered a separate category of health  
20           care items and services.

21           **“SEC. 2103. PERIODIC, INDEPENDENT EVALUATIONS.**

22           “(a) IN GENERAL.—During fiscal year 1998 and  
23           every third fiscal year thereafter, each State shall provide  
24           for an evaluation of the operation of its MediGrant plan  
25           under this title.

1       “(b) INDEPENDENT.—Each such evaluation with re-  
2 spect to an activity under the MediGrant plan shall be con-  
3 ducted by an entity that is neither responsible under State  
4 law for the submission of the State plan (or part thereof)  
5 nor responsible for administering (or supervising the ad-  
6 ministration of) the activity. If consistent with the pre-  
7 vious sentence, such an entity may be a college or univer-  
8 sity, a State agency, a legislative branch agency in a State,  
9 or an independent contractor.

10       “(c) RESEARCH DESIGN.—Each such evaluation  
11 shall be conducted in accordance with a research design  
12 that is based on generally accepted models of survey de-  
13 sign and sampling and statistical analysis.

14 **“SEC. 2104. DESCRIPTION OF PROCESS FOR MEDIGRANT**  
15 **PLAN DEVELOPMENT.**

16       “Each MediGrant plan shall include a description of  
17 the process under which the plan shall be developed and  
18 implemented in the State (consistent with section 2105).

19 **“SEC. 2105. CONSULTATION IN MEDIGRANT PLAN DEVELOP-**  
20 **MENT.**

21       “(a) PUBLIC NOTICE PROCESS.—

22       “(1) IN GENERAL.—Before submitting a  
23 MediGrant plan or a plan amendment described in  
24 paragraph (3) to the Secretary under part E, a  
25 State shall provide—

1           “(A) public notice respecting the submittal  
2 of the proposed plan or amendment, including  
3 a general description of the plan or amendment;

4           “(B) a means for the public to inspect or  
5 obtain a copy (at reasonable charge) of the pro-  
6 posed plan or amendment; and

7           “(C) an opportunity for submittal and con-  
8 sideration of public comments on the proposed  
9 plan or amendment.

10       The previous sentence shall not apply to a revision  
11 of a MediGrant plan (or revision of an amendment  
12 to a plan) made by a State under section 2154(c)(1)  
13 or to a plan amendment withdrawal described in sec-  
14 tion 2152(c)(4).

15       “(2) CONTENTS OF NOTICE.—A notice under  
16 paragraph (1)(A) for a proposed plan or amendment  
17 shall include a description of—

18           “(A) the general purpose of the proposed  
19 plan or amendment (including applicable effec-  
20 tive dates),

21           “(B) where the public may inspect the pro-  
22 posed plan or amendment,

23           “(C) how the public may obtain a copy of  
24 the proposed plan or amendment and the appli-  
25 cable charge (if any) for the copy, and

1           “(D) how the public may submit comments  
2           on the proposed plan or amendment, including  
3           any deadlines applicable to consideration of  
4           such comments.

5           “(3) AMENDMENTS DESCRIBED.—An amend-  
6           ment to a MediGrant plan described in this para-  
7           graph is an amendment which makes a material and  
8           substantial change in eligibility under the MediGrant  
9           plan or the benefits provided under the plan.

10          “(4) PUBLICATION.—Notices under this sub-  
11          section may be published (as selected by the State)  
12          in one or more daily newspapers of general circula-  
13          tion in the State or in any publication used by the  
14          State to publish State statutes or rules.

15          “(5) COMPARABLE PROCESS.—A separate no-  
16          tice, or notices, shall not be required under this sub-  
17          section for a State if notice of the MediGrant plan  
18          or an amendment to the plan will be provided under  
19          a process specified in State law that is substantially  
20          equivalent to the notice process specified in this sub-  
21          section.

22          “(b) ADVISORY COMMITTEE.—

23                 “(1) IN GENERAL.—Each State with a  
24                 MediGrant plan shall establish and maintain an ad-  
25                 visory committee.

1           “(2) CONSULTATION.—The State shall periodi-  
2 cally consult with the advisory committee in the de-  
3 velopment, revision, and monitoring the performance  
4 of the MediGrant plan, including—

5           “(A) the development of strategic objec-  
6 tives and performance goals under section  
7 2101,

8           “(B) the annual report under section  
9 2102, and

10           “(C) the research design under section  
11 2103(e).

12           “(3) GEOGRAPHIC DIVERSITY.—The composi-  
13 tion of the advisory committee shall be chosen in a  
14 manner that assures some representation on the ad-  
15 visory committee of the different general geographic  
16 regions of the State. Nothing in the previous sen-  
17 tence shall be construed as requiring proportional  
18 representation of geographic areas in a State.

19           “(4) CONSTRUCTION.—Nothing in this title  
20 shall be construed as preventing a State from estab-  
21 lishing more than one advisory committee, including  
22 specialized advisory committees that represent the  
23 interests of specific population groups, provider  
24 groups, or geographic areas.

1 **“SEC. 2106. MEDIGRANT TASK FORCE.**

2       “(a) IN GENERAL.—The Secretary shall provide for  
3 the establishment of a MediGrant Task Force (in this sec-  
4 tion referred to as the ‘Task Force’).

5       “(b) COMPOSITION.—The Task Force shall consist of  
6 6 members appointed by the chair of the National Gov-  
7 ernors Association and 6 members appointed by the vice  
8 chair of the National Governors Association.

9       “(c) ADVISORY GROUP FOR TASK FORCE.—The Sec-  
10 retary shall provide for the establishment of an advisory  
11 group to assist the Task Force in carrying out its duties  
12 under this section, consisting of one representative ap-  
13 pointed by each of the following associations:

14               “(1) National Committee for Quality Assur-  
15               ance.

16               “(2) Joint Commission for the Accreditation of  
17               Healthcare Organizations.

18               “(3) Group Health Association of America.

19               “(4) American Managed Care and Review Asso-  
20               ciation.

21               “(5) Association of State and Territorial Health  
22               Officers.

23               “(6) American Medical Association.

24               “(7) American Hospital Association.

25               “(8) American Dental Association.

26               “(9) American College of Gerontology.



1           “(10) American Health Care Association.

2           “(11) An association identified by the Secretary  
3 as representing the interests of disabled individuals.

4           “(12) An association identified by the Secretary  
5 as representing the interests of children.

6           “(13) An association identified by the Secretary  
7 as representing the interests of the elderly.

8           “(14) An association identified by the Secretary  
9 as representing the interests of mentally ill individ-  
10 uals.

11 Any reference in this subsection to a particular group shall  
12 be deemed a reference to any successor to such group.

13           “(d) DUTIES.—

14           “(1) FORMAT FOR EXPENDITURE AND UTILIZA-  
15 TION SUMMARIES.—The Task Force shall specify, by  
16 not later than December 31, 1996, the format of ex-  
17 penditure summaries and utilization summaries re-  
18 quired under section 2102. Such format may provide  
19 for the reporting of different information from that  
20 required under section 2102(a), but shall include the  
21 reporting of at least the information described in  
22 section 2102(b)(1)(A)(i).

23           “(2) MODELS AND SUGGESTIONS.—The Task  
24 Force shall study and report to Congress and the

1 States, by not later than April 1, 1997, rec-  
2 ommendations on the following:

3 “(A) Recommended models for strategic  
4 objectives and performance goals for consider-  
5 ation by States in the development of such ob-  
6 jectives and goals under section 2102, including  
7 alternative models for each of the objectives and  
8 goals described in section 2101(b).

9 “(B) For each suggested model for a stra-  
10 tegic objective or performance goal suggested  
11 methodologies for States to consider in measur-  
12 ing and verifying the objective or goal.

13 “(C) An assessment of the potential useful-  
14 ness to States of quality assurance safeguards,  
15 utilization data sets, and accreditation pro-  
16 grams that are used or under development in  
17 the private sector.

18 “(D) Recommended designs and evaluation  
19 methodologies for consideration by States in  
20 providing for independent evaluations under  
21 section 2103.

22 “(3) CONSTRUCTION.—Nothing in this sub-  
23 section shall be construed as requiring a State to  
24 adopt any of the strategic objectives or performance  
25 goals suggested under paragraph (2).

1       “(e) ADMINISTRATIVE ASSISTANCE.—Administrative  
2 support for the Task Force shall be provided by the Agen-  
3 cy for Health Care Policy and Research (or, in the absence  
4 of such Agency, the Secretary).

5       “PART B—ELIGIBILITY, BENEFITS, AND SET-ASIDES  
6 “SEC. 2111. GENERAL DESCRIPTION OF ELIGIBILITY AND  
7                   **BENEFITS.**

8       “(a) IN GENERAL.—Each MediGrant plan shall in-  
9 clude a description (consistent with this title) of the fol-  
10 lowing:

11           “(1) ELIGIBLE POPULATION.—The population  
12 eligible for medical assistance under the plan, in-  
13 cluding—

14                   “(A) any limitations on categories of such  
15 individuals;

16                   “(B) any limitations as to the duration of  
17 eligibility;

18                   “(C) any eligibility standards relating to  
19 age, income (including any standards relating  
20 to spenddowns), residency, resources, disability  
21 status, immigration status, or employment sta-  
22 tus of individuals;

23                   “(D) methods of establishing (and continu-  
24 ing) eligibility and enrollment (including the  
25 methodology for computing family income);

1           “(E) the eligibility standards in the plan  
2           that protect the income and resources of a mar-  
3           ried individual who is living in the community  
4           and whose spouse is residing in an institution  
5           in order to prevent the impoverishment of the  
6           community spouse; and

7           “(F) any other standards relating to eligi-  
8           bility for medical assistance under the plan.

9           “(2) SCOPE OF ASSISTANCE.—The amount, du-  
10          ration, and scope of health care services and items  
11          covered under the plan, including differences among  
12          different eligible population groups.

13          “(3) DELIVERY METHOD.—The State’s ap-  
14          proach to delivery of medical assistance, including a  
15          general description of—

16                 “(A) the use (or intended use) of vouchers,  
17                 fee-for-service, or managed care arrangements  
18                 (such as capitated health care plans, case man-  
19                 agement, and case coordination), and

20                 “(B) utilization control systems.

21          “(4) FEE-FOR-SERVICE BENEFITS.—To the ex-  
22          tent that medical assistance is furnished on a fee-  
23          for-service basis—

1           “(A) how the State determines the quali-  
2           fications of health care providers eligible to pro-  
3           vide such assistance, and

4           “(B) how the State determines rates of re-  
5           imbursement for providing such assistance.

6           “(5) COST-SHARING.—Beneficiary cost-sharing  
7           (if any), including variations in such cost-sharing by  
8           population group or type of service and financial re-  
9           sponsibilities of parents of recipients under 21 years  
10          of age and the spouses of recipients.

11          “(6) UTILIZATION INCENTIVES.—Incentives or  
12          requirements (if any) to encourage the appropriate  
13          utilization of services.

14          “(7) TREATMENT OF HEALTH CENTERS.—

15                 “(A) IN GENERAL.—In the case of a State  
16                 in which one or more health centers is located,  
17                 the MediGrant plan shall include a description  
18                 of—

19                         “(i) what provision (if any) has been  
20                         made for payment for items and services  
21                         furnished by health centers, and

22                         “(ii) the manner in which medical as-  
23                         sistance for low-income eligible individuals  
24                         who received health care services at health  
25                         centers on or before the date of the enact-

1           ment of this title may be provided, as de-  
2           termined by the State in consultation with  
3           the health centers in the State.

4           “(B) HEALTH CENTER DEFINED.—For  
5           purposes of subparagraph (A), the term ‘health  
6           center’ means an entity that—

7                   “(i) is receiving a grant under section  
8                   329, 330, 340, or 340A of the Public  
9                   Health Service Act; or

10                   “(ii) based on the recommendation of  
11                   the Health Resources and Services Admin-  
12                   istration within the Public Health Service,  
13                   was determined by the Secretary to meet  
14                   the requirements to receive such a grant.

15           “(8) SUPPORT FOR CERTAIN HOSPITALS.—

16                   “(A) IN GENERAL.—With respect to hos-  
17                   pitals described in subparagraph (B) located in  
18                   the State, the MediGrant plan shall include a  
19                   description—

20                   “(i) of the extent to which provisions  
21                   have been made for expenditures for items  
22                   and services furnished by such hospitals  
23                   and covered under the plan, and

24                   “(ii) for individuals who (I) are en-  
25                   rolled for benefits for covered services

1 under the MediGrant plan and (II) were  
2 previously receiving benefits for such serv-  
3 ices under the medicaid program by or  
4 through such hospitals, where or how they  
5 will receive benefits for such services under  
6 the MediGrant plan if the MediGrant plan  
7 does not permit such individuals to obtain  
8 benefits for those services by or through  
9 such hospitals.

10 “(B) HOSPITALS DESCRIBED.—For pur-  
11 poses of subparagraph (A), a hospital described  
12 in this subparagraph is a subsection (d) hos-  
13 pital (as defined in section 1886(d)(1)(B)) that  
14 is described in clauses (i) and (ii) of section  
15 340B(a)(4)(L) of the Public Health Service  
16 Act.

17 “(b) IMMUNIZATIONS FOR CHILDREN.—The  
18 MediGrant plan shall provide medical assistance for im-  
19 munizations for children eligible for any medical assist-  
20 ance under the MediGrant plan, in accordance with a  
21 schedule for immunizations established by the Health De-  
22 partment of the State in consultation with the individuals  
23 and entities in the State responsible for the administration  
24 of the plan.

1           “(c) EQUAL PAYMENT RATES FOR RURAL PROVID-  
2 ERS.—A State with a MediGrant plan shall establish pay-  
3 ment rates for all services of rural providers that are com-  
4 parable to the payment rates established for like services  
5 of such type of providers not in rural areas; except that  
6 a State may provide for incentive payments to attract and  
7 retain providers to medically underserved areas.

8           “(d) PREEXISTING CONDITION EXCLUSIONS.—Not-  
9 withstanding any other provision of this title—

10           “(1) a MediGrant plan may not deny or exclude  
11 coverage of any item or service for an eligible indi-  
12 vidual for benefits under the MediGrant plan for  
13 such item or service on the basis of a preexisting  
14 condition; and

15           “(2) if a State contracts or makes other ar-  
16 rangements (through the eligible individual or  
17 through another entity) with a capitated health care  
18 organization, insurer, or other entity, for the provi-  
19 sion of items or services to eligible individuals under  
20 the MediGrant plan and the State permits such or-  
21 ganization, insurer, or other entity to exclude cov-  
22 erage of a covered item or service on the basis of a  
23 preexisting condition, the State shall provide,  
24 through its MediGrant plan, for such coverage  
25 (through direct payment or otherwise) for any such



1 covered item or service denied or excluded on the  
2 basis of a preexisting condition.

3 “(e) FAMILY RESPONSIBILITY.—A MediGrant plan  
4 may not require an adult child of moderate means (as de-  
5 termined by the Secretary) to contribute to the cost of  
6 covered nursing facility services and other long-term care  
7 services for the child’s parent under the plan.

8 **“SEC. 2112. SET-ASIDES OF FUNDS FOR POPULATION**  
9 **GROUPS.**

10 “(a) FOR TARGETED LOW-INCOME FAMILIES.—

11 “(1) IN GENERAL.—Subject to subsection (e), a  
12 MediGrant plan shall provide that the amount of  
13 funds expended under the plan for medical assist-  
14 ance for targeted low-income families (as defined in  
15 paragraph (3)) for a fiscal year shall be not less  
16 than the minimum low-income-family percentage  
17 specified in paragraph (2) of the total funds ex-  
18 pended under the plan for all medical assistance for  
19 the fiscal year.

20 “(2) MINIMUM LOW-INCOME-FAMILY PERCENT-  
21 AGE.—The minimum low-income-family percentage  
22 specified in this paragraph for a State is equal to 85  
23 percent of the average percentage of the expendi-  
24 tures under title XIX for medical assistance in the  
25 State during Federal fiscal years 1992 through 1994

1 which were attributable to expenditures for medical  
2 assistance for mandated benefits (as defined in sub-  
3 section (h)) furnished to individuals—

4 “(A) who (at the time of furnishing the as-  
5 sistance) were under 65 years of age,

6 “(B) whose coverage (at such time) under  
7 a State plan under title XIX was required  
8 under Federal law, and

9 “(C) whose eligibility for such coverage (at  
10 such time) was not on a basis directly related  
11 to disability status (including being blind).

12 “(3) TARGETED LOW-INCOME FAMILY DE-  
13 FINED.—In this subsection, the term ‘targeted low-  
14 income family’ means a family (which may be an in-  
15 dividual)—

16 “(A) which includes a child or a pregnant  
17 woman, and

18 “(B) the income of which does not exceed  
19 185 percent of the poverty line applicable to a  
20 family of the size involved.

21 “(b) FOR LOW-INCOME ELDERLY.—

22 “(1) SET-ASIDES.—Subject to subsection (e)—

23 “(A) GENERAL SET-ASIDE.—A MediGrant  
24 plan shall provide that the amount of funds ex-  
25 pended under the plan for medical assistance

1 for eligible low-income individuals 65 years of  
2 age or older for a fiscal year shall be not less  
3 than the minimum low-income-elderly percent-  
4 age specified in paragraph (2)(A) of the total  
5 funds expended under the plan for all medical  
6 assistance for the fiscal year.

7 “(B) SET-ASIDE FOR MEDICARE PREMIUM  
8 ASSISTANCE.—A MediGrant plan shall provide  
9 that the amount of funds expended under the  
10 plan for medical assistance for medicare cost-  
11 sharing described in section 2171(c)(1) for a  
12 fiscal year shall be not less than the minimum  
13 medicare premium assistance percentage speci-  
14 fied in paragraph (2)(B) of the total funds ex-  
15 pended under the plan for all medical assistance  
16 for the fiscal year. The MediGrant plan shall  
17 provide priority for such making such assist-  
18 ance available for targeted low-income elderly  
19 individuals (as defined in paragraph (3)).

20 “(2) MINIMUM PERCENTAGES.—

21 “(A) FOR GENERAL SET-ASIDE.—The min-  
22 imum low-income-elderly percentage specified in  
23 this subparagraph for a State is equal to 85  
24 percent of the average percentage of the ex-  
25 penditures under title XIX for medical assist-

1           ance in the State during Federal fiscal years  
2           1992 through 1994 which was attributable to  
3           expenditures for medical assistance for man-  
4           dated benefits furnished to individuals—

5                   “(i) whose eligibility for such assist-  
6                   ance was based on their being 65 years of  
7                   age or older; and

8                   “(ii)(I) whose coverage (at such time)  
9                   under a State plan under title XIX was re-  
10                  quired under Federal law, or (II) who (at  
11                  such time) were residents of a nursing fa-  
12                  cility.

13                  “(B) FOR SET-ASIDE FOR MEDICARE PRE-  
14                  MIUM ASSISTANCE.—The minimum medicare  
15                  premium assistance percentage specified in this  
16                  subparagraph for a State is equal to 90 percent  
17                  of the average percentage of the expenditures  
18                  under title XIX for medical assistance in the  
19                  State during Federal fiscal years 1993 through  
20                  1995 which was attributable to expenditures for  
21                  medical assistance for medicare premiums de-  
22                  scribed in section 1905(p)(3)(A) for individuals  
23                  whose coverage (at such time) for such assist-  
24                  ance for such premiums under a State plan

1 under title XIX was required under Federal  
2 law.

3 “(3) TARGETED LOW-INCOME ELDERLY INDI-  
4 VIDUAL DEFINED.—In this subsection, the term ‘tar-  
5 geted low-income elderly individual’ means an indi-  
6 vidual who is 65 years of age or older and whose in-  
7 come does not exceed 100 percent of the poverty line  
8 applicable to a family of the size involved.

9 “(c) FOR LOW-INCOME DISABLED PERSONS.—

10 “(1) IN GENERAL.—Subject to subsection (e), a  
11 MediGrant plan shall provide that the percentage of  
12 funds expended under the plan for medical assist-  
13 ance for eligible low-income individuals who are  
14 under 65 years of age and are eligible for such as-  
15 sistance on the basis of a disability (including being  
16 blind) for a fiscal year is not less than the minimum  
17 low-income-disabled percentage specified in para-  
18 graph (2) of the total funds expended under the plan  
19 for medical assistance for the fiscal year.

20 “(2) MINIMUM LOW-INCOME-DISABLED PER-  
21 CENTAGE.—The minimum low-income-disabled per-  
22 centage specified in this paragraph for a State is  
23 equal to 85 percent of the average percentage of the  
24 expenditures under title XIX for medical assistance  
25 in the State during Federal fiscal years 1992

1 through 1994 which was attributable to expenditures  
2 for medical assistance for mandated benefits fur-  
3 nished to individuals—

4 “(A) whose coverage (at such time) under  
5 a State plan under title XIX was required  
6 under Federal law, and

7 “(B) whose coverage (at such time) was on  
8 a basis directly related to disability status (in-  
9 cluding being blind).

10 “(d) USE OF RESIDUAL FUNDS.—

11 “(1) IN GENERAL.—Subject to limitations on  
12 payment under section 2123, any funds not required  
13 to be expended under the set-asides under the pre-  
14 vious subsections may be expended under the  
15 MediGrant plan for any of the following:

16 “(A) ADDITIONAL MEDICAL ASSISTANCE.—  
17 Medical assistance for eligible low-income indi-  
18 viduals (as defined in section 2171(b)), in addi-  
19 tion to any medical assistance made available  
20 under a previous subsection.

21 “(B) MEDICALLY-RELATED SERVICES.—  
22 Payment for medically-related services (as de-  
23 fined in paragraph (2)).

24 “(C) ADMINISTRATION.—Payment for the  
25 administration of the MediGrant plan.

1           “(2) MEDICALLY-RELATED SERVICES DE-  
2           FINED.—In this title, the term ‘medically-related  
3           services’ means services reasonably related to, or in  
4           direct support of, the State’s attainment of one or  
5           more of the strategic objectives and performance  
6           goals established under section 2101, but does not  
7           include items and services included on the list under  
8           section 2171(a)(1) (relating to the definition of med-  
9           ical assistance).

10          “(e) EXCEPTIONS TO MINIMUM SET-ASIDES.—

11           “(1) ALTERNATIVE MINIMUM SET-ASIDES.—

12           “(A) IN GENERAL.—A State may provide  
13           in its MediGrant plan (through an amendment  
14           to the plan) for a lower dollar amount of ex-  
15           penditures than the minimum amounts specified  
16           in any (or all) of paragraphs (2) of subsections  
17           (a), (b), and (c) if State determines (and cer-  
18           tifies to the Secretary) that—

19           “(i) the health care needs of the low-  
20           income populations described in paragraph  
21           (1) of the respective subsection who are eli-  
22           gible for medical assistance under the plan  
23           during the previous fiscal year (or medi-  
24           care premium assistance needs described in  
25           subsection (b)(1)(B)) can be reasonably

1 met without the expenditure of the  
2 amounts otherwise required to be ex-  
3 pended, and

4 “(ii) the performance goals estab-  
5 lished under section 2101 relating to the  
6 respective population can reasonably be  
7 met with such lower amount of funds ex-  
8 pended.

9 “(B) PERIOD OF APPLICATION.—The de-  
10 termination and certification under subpara-  
11 graph (A) shall be made for such period as a  
12 State may request, but may not be made for a  
13 period of more than 3 consecutive Federal fiscal  
14 years (beginning with the first fiscal year for  
15 which the lower amount is sought). A new de-  
16 termination and certification must be made  
17 under such paragraph for any subsequent pe-  
18 riod.

19 “(C) NO EXCEPTION PERMITTED BEFORE  
20 FISCAL YEAR 1998.—This paragraph may not  
21 apply with respect to a State for a fiscal year  
22 before fiscal year 1998.

23 “(2) INDEPENDENT CERTIFICATION OF COMPLI-  
24 ANCE WITH GOALS.—



1           “(A) IN GENERAL.—For purposes of sec-  
2           tion 2151(c), a MediGrant plan shall not be  
3           considered to be in substantial violation of the  
4           requirements of this section if the amount of  
5           actual State expenditures specified in any (or  
6           all) of paragraphs (1) of subsections (a), (b),  
7           and (c) is lower than the minimum amounts  
8           specified in any (or all) of paragraphs (2) of  
9           subsections (a), (b), and (c) if an independent  
10          actuary determines and certifies to the State  
11          that the MediGrant plan is reasonably designed  
12          to result in a level of expenditures which is con-  
13          sistent with the requirements of such sub-  
14          sections.

15          “(B) LIMIT ON VARIATION.—Subpara-  
16          graph (A) shall not apply in the case of a  
17          MediGrant plan for which the actual State ex-  
18          penditures described in any (or all) of para-  
19          graphs (1) of subsections (a), (b), and (c) are  
20          less than 95 percent of the expenditures which  
21          would be made if the amount of State expendi-  
22          tures specified in any (or all) of such para-  
23          graphs was equal to the applicable minimum  
24          amount specified in any (or all) of paragraphs  
25          (2) of subsections (a), (b), and (c).

1           “(3) TREATMENT OF STATES WITH NO OP-  
2           TIONAL BENEFITS.—In the case of a State for which  
3           all expenditures under title XIX for medical assist-  
4           ance in the State during Federal fiscal years 1992  
5           through 1994 were expenditures for medical assist-  
6           ance for mandated benefits, ‘75 percent’ shall be  
7           substituted for ‘85 percent’ each place it appears in  
8           paragraphs (2) of subsections (a), (b), and (c).

9           “(f) COMPUTATIONS.—

10           “(1) MINIMUM PERCENTAGES.—States shall  
11           calculate the minimum percentages under sub-  
12           sections (a)(2), (b)(2), and (c)(2) in a reasonable  
13           manner consistent with reports submitted to the  
14           Secretary for the fiscal years involved.

15           “(2) EXCLUSION OF PAYMENTS FOR CERTAIN  
16           ALIENS.—For purposes of this section, medical as-  
17           sistance attributable to the exception provided under  
18           section 1903(v)(2) shall not be considered to be ex-  
19           penditures for medical assistance.

20           “(g) BENEFITS INCLUDED FOR PURPOSES OF COM-  
21           PUTING SET-ASIDES.—In this section, the term ‘man-  
22           dated benefits’—

23           “(1) means medical assistance for items and  
24           services described in section 1905(a) to the extent

1 such assistance with respect to such items and serv-  
2 ices was required to be provided under title XIX,

3 “(2) includes medical assistance for medicare  
4 cost-sharing only to the extent such assistance was  
5 required to be provided under section  
6 1902(a)(10)(E), and

7 “(3) does not include medical assistance attrib-  
8 utable to disproportionate share payment adjust-  
9 ments described in section 1923.

10 **“SEC. 2113. PREMIUMS AND COST-SHARING.**

11 “(a) IN GENERAL.—Subject to subsection (b), if any  
12 charges are imposed under the MediGrant plan for cost-  
13 sharing (as defined in subsection (d)), such cost-sharing  
14 shall be pursuant to a public cost-sharing schedule.

15 “(b) LIMITATION ON PREMIUM AND CERTAIN COST-  
16 SHARING FOR LOW-INCOME FAMILIES INCLUDING CHIL-  
17 DREN OR PREGNANT WOMEN.—

18 “(1) IN GENERAL.—In the case of a family de-  
19 scribed in paragraph (2)—

20 “(A) the plan shall not impose any pre-  
21 mium, and

22 “(B) the plan shall not (except as provided  
23 in subsection (c)(1)) impose any cost-sharing  
24 with respect to primary and preventive care  
25 services (as defined by the State) covered under

1 the MediGrant plan for children or pregnant  
2 women unless such cost-sharing is nominal in  
3 nature.

4 “(2) FAMILY DESCRIBED.—A family described  
5 in this paragraph is a family (which may be an indi-  
6 vidual) which—

7 “(A) includes a child or a pregnant  
8 woman,

9 “(B) is made eligible for medical assistance  
10 under the MediGrant plan, and

11 “(C) the income of which does not exceed  
12 100 percent of the poverty line applicable to a  
13 family of the size involved.

14 “(c) CERTAIN COST-SHARING PERMITTED.—Nothing  
15 in this section shall be construed as preventing a  
16 MediGrant plan (consistent with subsection (b))—

17 “(1) from imposing cost-sharing to discourage  
18 the inappropriate use of emergency medical services  
19 (delivered through a hospital emergency room, a  
20 medical transportation provider, or otherwise);

21 “(2) from imposing premiums and cost-sharing  
22 differentially in order to encourage the use of pri-  
23 mary and preventive care and discourage unneces-  
24 sary or less economical care;

1           “(3) from scaling cost-sharing in a manner that  
2       reflects economic factors, employment status, and  
3       family size;

4           “(4) from scaling cost-sharing based on the  
5       availability to the individual or family of other  
6       health insurance coverage; or

7           “(5) from scaling cost-sharing based on partici-  
8       pation in employment training program, drug or al-  
9       cohol abuse treatment, counseling programs, or  
10      other programs promoting personal responsibility.

11          “(d) COST-SHARING DEFINED.—In this section, the  
12      term ‘cost-sharing’ includes copayments, deductibles, coin-  
13      surance, and other charges for the provision of health care  
14      services.

15      **“SEC. 2114. DESCRIPTION OF PROCESS FOR DEVELOPING**  
16                      **CAPITATION PAYMENT RATES.**

17          “(a) IN GENERAL.—If a State contracts (or intends  
18      to contract) with a capitated health care organization (as  
19      defined in subsection (c)(1)) under which the State makes  
20      a capitation payment (as defined in subsection (c)(2)) to  
21      the organization for providing or arranging for the provi-  
22      sion of medical assistance under the MediGrant plan for  
23      a group of services (including at least inpatient hospital  
24      services and physicians’ services), the plan shall include  
25      a description of the following:

1           “(1) USE OF ACTUARIAL SCIENCE.—The extent  
2           and manner in which the State uses actuarial  
3           science—

4                   “(A) to analyze and project health care ex-  
5                   penditures and utilization for individuals en-  
6                   rolled (or to be enrolled) in such an organiza-  
7                   tion under the MediGrant plan, and

8                   “(B) to develop capitation payment rates,  
9                   including a brief description of the general  
10                  methodologies used by actuaries.

11           “(2) QUALIFICATIONS OF ORGANIZATIONS.—  
12           The general qualifications (including any accredita-  
13           tion, State licensure or certification, or provider net-  
14           work standards) required by the State for participa-  
15           tion of capitated health care organizations under the  
16           MediGrant plan.

17           “(3) DISSEMINATION PROCESS.—The process  
18           used by the State under subsection (b) and other-  
19           wise to disseminate, before entering into contracts  
20           with capitated health care organizations, actuarial  
21           information to such organizations on the historical  
22           fee-for-service costs (or, if not available, other recent  
23           financial data associated with providing covered  
24           services) and utilization associated with individuals  
25           described in paragraph (1)(A).

1       “(b) PUBLIC NOTICE AND COMMENT.—Under the  
2 MediGrant plan the State shall provide a process for pro-  
3 viding, before the beginning of each contract year—

4           “(1) public notice of—

5               “(A) the amounts of the capitation pay-  
6 ments (if any) made under the plan for the con-  
7 tract year preceding the public notice, and

8               “(B)(i) the information described under  
9 subsection (a)(1) with respect to capitation pay-  
10 ments for the contract year involved or (ii) the  
11 amounts of the capitation payments the State  
12 expects to make for the contract year involved,  
13 unless such information is designated as proprietary  
14 and not subject to public disclosure under State law;  
15 and

16           “(2) an opportunity for receiving public com-  
17 ment on the amounts and information for which no-  
18 tice is provided under paragraph (1).

19       “(c) DEFINITIONS.—In this title:

20           “(1) CAPITATED HEALTH CARE ORGANIZA-  
21 TION.—The term ‘capitated health care organiza-  
22 tion’ means a health maintenance organization or  
23 any other entity (including a health insuring organi-  
24 zation, managed care organization, prepaid health  
25 plan, integrated service network, or similar entity)

1 which under State law is permitted to accept capita-  
2 tion payments for providing (or arranging for the  
3 provision of) a group of items and services including  
4 at least inpatient hospital services and physicians'  
5 services.

6 “(2) CAPITATION PAYMENT.—The term ‘capita-  
7 tion payment’ means, with respect to payment, pay-  
8 ment on a prepaid capitation basis or any other risk  
9 basis to an entity for the entity’s provision (or ar-  
10 ranging for the provision) of a group of items and  
11 services (including at least inpatient hospital services  
12 and physicians’ services).

13 **“SEC. 2115. PREVENTING SPOUSAL IMPOVERISHMENT.**

14 “(a) SPECIAL TREATMENT FOR INSTITUTIONALIZED  
15 SPOUSES.—

16 “(1) SUPERSEDES OTHER PROVISIONS.—In de-  
17 termining the eligibility for medical assistance of an  
18 institutionalized spouse (as defined in subsection  
19 (h)(1)), the provisions of this section supersede any  
20 other provision of this title which is inconsistent  
21 with them.

22 “(2) DOES NOT AFFECT CERTAIN DETERMINA-  
23 TIONS.—Except as this section specifically provides,  
24 this section does not apply to—



1           “(A) the determination of what constitutes  
2 income or resources, or

3           “(B) the methodology and standards for  
4 determining and evaluating income and re-  
5 sources.

6           “(3) NO APPLICATION IN COMMONWEALTHS  
7 AND TERRITORIES.—This section shall only apply to  
8 a State that is one of the 50 States or the District  
9 of Columbia.

10          “(b) RULES FOR TREATMENT OF INCOME.—

11           “(1) SEPARATE TREATMENT OF INCOME.—Dur-  
12 ing any month in which an institutionalized spouse  
13 is in the institution, except as provided in paragraph  
14 (2), no income of the community spouse shall be  
15 deemed available to the institutionalized spouse.

16           “(2) ATTRIBUTION OF INCOME.—In determin-  
17 ing the income of an institutionalized spouse or com-  
18 munity spouse for purposes of the post-eligibility in-  
19 come determination described in subsection (d), ex-  
20 cept as otherwise provided in this section and re-  
21 gardless of any State laws relating to community  
22 property or the division of marital property, the fol-  
23 lowing rules apply:

24           “(A) NON-TRUST PROPERTY.—Subject to  
25 subparagraphs (C) and (D), in the case of in-

1           come not from a trust, unless the instrument  
2           providing the income otherwise specifically pro-  
3           vides—

4                   “(i) if payment of income is made  
5                   solely in the name of the institutionalized  
6                   spouse or the community spouse, the in-  
7                   come shall be considered available only to  
8                   that respective spouse;

9                   “(ii) if payment of income is made in  
10                   the names of the institutionalized spouse  
11                   and the community spouse, one-half of the  
12                   income shall be considered available to  
13                   each of them; and

14                   “(iii) if payment of income is made in  
15                   the names of the institutionalized spouse  
16                   or the community spouse, or both, and to  
17                   another person or persons, the income  
18                   shall be considered available to each spouse  
19                   in proportion to the spouse’s interest (or,  
20                   if payment is made with respect to both  
21                   spouses and no such interest is specified,  
22                   one-half of the joint interest shall be con-  
23                   sidered available to each spouse).

24                   “(B) TRUST PROPERTY.—In the case of a  
25           trust—

1           “(i) except as provided in clause (ii),  
2           income shall be attributed in accordance  
3           with the provisions of this title, and

4           “(ii) income shall be considered avail-  
5           able to each spouse as provided in the  
6           trust, or, in the absence of a specific provi-  
7           sion in the trust—

8                   “(I) if payment of income is  
9                   made solely to the institutionalized  
10                  spouse or the community spouse, the  
11                  income shall be considered available  
12                  only to that respective spouse;

13                  “(II) if payment of income is  
14                  made to both the institutionalized  
15                  spouse and the community spouse,  
16                  one-half of the income shall be consid-  
17                  ered available to each of them; and

18                  “(III) if payment of income is  
19                  made to the institutionalized spouse  
20                  or the community spouse, or both,  
21                  and to another person or persons, the  
22                  income shall be considered available to  
23                  each spouse in proportion to the  
24                  spouse’s interest (or, if payment is  
25                  made with respect to both spouses

1 and no such interest is specified, one-  
2 half of the joint interest shall be con-  
3 sidered available to each spouse).

4 “(C) PROPERTY WITH NO INSTRUMENT.—  
5 In the case of income not from a trust in which  
6 there is no instrument establishing ownership,  
7 subject to subparagraph (D), one-half of the in-  
8 come shall be considered to be available to the  
9 institutionalized spouse and one-half to the  
10 community spouse.

11 “(D) REBUTTING OWNERSHIP.—The rules  
12 of subparagraphs (A) and (C) are superseded to  
13 the extent that an institutionalized spouse can  
14 establish, by a preponderance of the evidence,  
15 that the ownership interests in income are other  
16 than as provided under such subparagraphs.

17 “(e) RULES FOR TREATMENT OF RESOURCES.—

18 “(1) COMPUTATION OF SPOUSAL SHARE AT  
19 TIME OF INSTITUTIONALIZATION.—

20 “(A) TOTAL JOINT RESOURCES.—There  
21 shall be computed (as of the beginning of the  
22 first continuous period of institutionalization of  
23 the institutionalized spouse)—

24 “(i) the total value of the resources to  
25 the extent either the institutionalized

1 spouse or the community spouse has an  
2 ownership interest, and

3 “(ii) a spousal share which is equal to  
4  $\frac{1}{2}$  of such total value.

5 “(B) ASSESSMENT.—At the request of an  
6 institutionalized spouse or community spouse,  
7 at the beginning of the first continuous period  
8 of institutionalization of the institutionalized  
9 spouse and upon the receipt of relevant docu-  
10 mentation of resources, the State shall promptly  
11 assess and document the total value described  
12 in subparagraph (A)(i) and shall provide a copy  
13 of such assessment and documentation to each  
14 spouse and shall retain a copy of the assess-  
15 ment for use under this section. If the request  
16 is not part of an application for medical assist-  
17 ance under this title, the State may, at its op-  
18 tion as a condition of providing the assessment,  
19 require payment of a fee not exceeding the rea-  
20 sonable expenses of providing and documenting  
21 the assessment. At the time of providing the  
22 copy of the assessment, the State shall include  
23 a notice indicating that the spouse will have a  
24 right to a fair hearing under subsection (e)(2).

1           “(2) ATTRIBUTION OF RESOURCES AT TIME OF  
2 INITIAL ELIGIBILITY DETERMINATION.—In deter-  
3 mining the resources of an institutionalized spouse  
4 at the time of application for medical assistance  
5 under this title, regardless of any State laws relating  
6 to community property or the division of marital  
7 property—

8           “(A) except as provided in subparagraph  
9 (B), all the resources held by either the institu-  
10 tionalized spouse, community spouse, or both,  
11 shall be considered to be available to the insti-  
12 tutionalized spouse, and

13           “(B) resources shall be considered to be  
14 available to an institutionalized spouse, but only  
15 to the extent that the amount of such resources  
16 exceeds the amount computed under subsection  
17 (f)(2)(A) (as of the time of application for med-  
18 ical assistance).

19           “(3) ASSIGNMENT OF SUPPORT RIGHTS.—The  
20 institutionalized spouse shall not be ineligible by rea-  
21 son of resources determined under paragraph (2) to  
22 be available for the cost of care where—

23           “(A) the institutionalized spouse has as-  
24 signed to the State any rights to support from  
25 the community spouse;

1           “(B) the institutionalized spouse lacks the  
2           ability to execute an assignment due to physical  
3           or mental impairment but the State has the  
4           right to bring a support proceeding against a  
5           community spouse without such assignment; or

6           “(C) the State determines that denial of  
7           eligibility would work an undue hardship.

8           “(4) SEPARATE TREATMENT OF RESOURCES  
9           AFTER ELIGIBILITY FOR MEDICAL ASSISTANCE ES-  
10          TABLISHED.—During the continuous period in which  
11          an institutionalized spouse is in an institution and  
12          after the month in which an institutionalized spouse  
13          is determined to be eligible for medical assistance  
14          under this title, no resources of the community  
15          spouse shall be deemed available to the institutional-  
16          ized spouse.

17          “(5) RESOURCES DEFINED.—In this section,  
18          the term ‘resources’ does not include—

19                 “(A) resources excluded under subsection  
20                 (a) or (d) of section 1613, and

21                 “(B) resources that would be excluded  
22                 under section 1613(a)(2)(A) but for the limita-  
23                 tion on total value described in such section.

24          “(d) PROTECTING INCOME FOR COMMUNITY  
25          SPOUSE.—

1           “(1) ALLOWANCES TO BE OFFSET FROM IN-  
2           COME OF INSTITUTIONALIZED SPOUSE.—After an  
3           institutionalized spouse is determined or redeter-  
4           mined to be eligible for medical assistance, in deter-  
5           mining the amount of the spouse’s income that is to  
6           be applied monthly to payment for the costs of care  
7           in the institution, there shall be deducted from the  
8           spouse’s monthly income the following amounts in  
9           the following order:

10                   “(A) A personal needs allowance (described  
11                   in paragraph (6)(A)), in an amount not less  
12                   than the amount specified in paragraph (6)(C).

13                   “(B) A community spouse monthly income  
14                   allowance (as defined in paragraph (2)), but  
15                   only to the extent income of the institutional-  
16                   ized spouse is made available to (or for the ben-  
17                   efit of) the community spouse.

18                   “(C) A family allowance, for each family  
19                   member, equal to at least  $\frac{1}{3}$  of the amount by  
20                   which the amount described in paragraph  
21                   (3)(A)(i) exceeds the amount of the monthly in-  
22                   come of that family member.

23                   “(D) Amounts for incurred expenses for  
24                   medical or remedial care for the institutional-  
25                   ized spouse (as provided under paragraph (7)).



1 In subparagraph (C), the term 'family member' only  
2 includes minor or dependent children, dependent  
3 parents, or dependent siblings of the institutional-  
4 ized or community spouse who are residing with the  
5 community spouse.

6 "(2) COMMUNITY SPOUSE MONTHLY INCOME  
7 ALLOWANCE DEFINED.—In this section (except as  
8 provided in paragraph (5)), the 'community spouse  
9 monthly income allowance' for a community spouse  
10 is an amount by which—

11 "(A) except as provided in subsection (e),  
12 the minimum monthly maintenance needs allow-  
13 ance (established under and in accordance with  
14 paragraph (3)) for the spouse, exceeds

15 "(B) the amount of monthly income other-  
16 wise available to the community spouse (deter-  
17 mined without regard to such an allowance).

18 "(3) ESTABLISHMENT OF MINIMUM MONTHLY  
19 MAINTENANCE NEEDS ALLOWANCE.—

20 "(A) IN GENERAL.—Each State shall es-  
21 tablish a minimum monthly maintenance needs  
22 allowance for each community spouse which,  
23 subject to subparagraph (B), is equal to or ex-  
24 ceeds—

1           “(i) 150 percent of  $\frac{1}{12}$  of the income  
2           official poverty line (defined by the Office  
3           of Management and Budget and revised  
4           annually in accordance with section  
5           673(2)) for a family unit of 2 members;  
6           plus

7           “(ii) an excess shelter allowance (as  
8           defined in paragraph (4)).

9           A revision of the official poverty line referred to  
10          in clause (i) shall apply to medical assistance  
11          furnished during and after the second calendar  
12          quarter that begins after the date of publication  
13          of the revision.

14          “(B) CAP ON MINIMUM MONTHLY MAINTENANCE NEEDS ALLOWANCE.—The minimum  
15          monthly maintenance needs allowance estab-  
16          lished under subparagraph (A) may not exceed  
17          \$1,500 (subject to adjustment under sub-  
18          sections (e) and (g)).

19          “(4) EXCESS SHELTER ALLOWANCE DE-  
20          FINED.—In paragraph (3)(A)(ii), the term ‘excess  
21          shelter allowance’ means, for a community spouse,  
22          the amount by which the sum of—

23                  “(A) the spouse’s expenses for rent or  
24                  mortgage payment (including principal and in-  
25

1           terest), taxes and insurance and, in the case of  
2           a condominium or cooperative, required mainte-  
3           nance charge, for the community spouse's prin-  
4           cipal residence, and

5           “(B) the standard utility allowance (used  
6           by the State under section 5(e) of the Food  
7           Stamp Act of 1977) or, if the State does not  
8           use such an allowance, the spouse's actual util-  
9           ity expenses,

10          exceeds 30 percent of the amount described in para-  
11          graph (3)(A)(i), except that, in the case of a con-  
12          dominium or cooperative, for which a maintenance  
13          charge is included under subparagraph (A), any al-  
14          lowance under subparagraph (B) shall be reduced to  
15          the extent the maintenance charge includes utility  
16          expenses.

17          “(5) COURT ORDERED SUPPORT.—If a court  
18          has entered an order against an institutionalized  
19          spouse for monthly income for the support of the  
20          community spouse, the community spouse monthly  
21          income allowance for the spouse shall be not less  
22          than the amount of the monthly income so ordered.

23          “(6) PERSONAL NEEDS ALLOWANCE.—

24          “(A) IN GENERAL.—The State MediGrant  
25          plan must provide that, in the case of an insti-

1           tutionalized individual or couple described in  
2           subparagraph (B), in determining the amount  
3           of the individual's or couple's income to be ap-  
4           plied monthly to payment for the cost of care  
5           in an institution, there shall be deducted from  
6           the monthly income (in addition to other allow-  
7           ances otherwise provided under the plan) a  
8           monthly personal needs allowance—

9                   “(i) which is reasonable in amount for  
10                   clothing and other personal needs of the  
11                   individual (or couple) while in an institu-  
12                   tion, and

13                   “(ii) which is not less (and may be  
14                   greater) than the minimum monthly per-  
15                   sonal needs allowance described in sub-  
16                   paragraph (C).

17           “(B) INSTITUTIONALIZED INDIVIDUAL OR  
18           COUPLE DEFINED.—In this paragraph, the  
19           term ‘institutionalized individual or couple’  
20           means an individual or married couple—

21                   “(i) who is an inpatient (or who are  
22                   inpatients) in a medical institution or  
23                   nursing facility for which payments are  
24                   made under this title throughout a month,  
25                   and

1                   “(ii) who is or are determined to be  
2                   eligible for medical assistance under the  
3                   State MediGrant plan.

4                   “(C) MINIMUM ALLOWANCE.—The mini-  
5                   mum monthly personal needs allowance de-  
6                   scribed in this subparagraph is \$40 for an insti-  
7                   tutionalized individual and \$80 for an institu-  
8                   tionalized couple (if both are aged, blind, or dis-  
9                   abled, and their incomes are considered avail-  
10                  able to each other in determining eligibility).

11                  “(7) TREATMENT OF INCURRED EXPENSES.—  
12                  With respect to the post-eligibility treatment of in-  
13                  come under this section, there shall be taken into ac-  
14                  count amounts for incurred expenses for medical or  
15                  remedial care that are not subject to payment by a  
16                  third party, including—

17                         “(A) medicare and other health insurance  
18                         premiums, deductibles, or coinsurance, and

19                         “(B) necessary medical or remedial care  
20                         recognized under State law but not covered  
21                         under the State MediGrant plan under this  
22                         title, subject to reasonable limits the State may  
23                         establish on the amount of these expenses.

24                  “(e) NOTICE AND HEARING.—

25                         “(1) NOTICE.—Upon—

1           “(A) a determination of eligibility for med-  
2           ical assistance of an institutionalized spouse, or  
3           “(B) a request by either the institutional-  
4           ized spouse, or the community spouse, or a rep-  
5           resentative acting on behalf of either spouse,  
6           each State shall notify both spouses (in the case de-  
7           scribed in subparagraph (A)) or the spouse making  
8           the request (in the case described in subparagraph  
9           (B)) of the amount of the community spouse month-  
10          ly income allowance (described in subsection  
11          (d)(1)(B)), of the amount of any family allowances  
12          (described in subsection (d)(1)(C)), of the method  
13          for computing the amount of the community spouse  
14          resources allowance permitted under subsection (f),  
15          and of the spouse’s right to a hearing under the  
16          MediGrant plan respecting ownership or availability  
17          of income or resources, and the determination of the  
18          community spouse monthly income or resource al-  
19          lowance.

20           “(2) RESULTS OF HEARING.—

21           “(A) REVISION OF MINIMUM MONTHLY  
22           MAINTENANCE NEEDS ALLOWANCE.—If either  
23           such spouse establishes in a hearing under this  
24           subsection that the community spouse needs in-  
25           come, above the level otherwise provided by the

1 minimum monthly maintenance needs allow-  
2 ance, due to exceptional circumstances resulting  
3 in significant financial duress, there shall be  
4 substituted, for the minimum monthly mainte-  
5 nance needs allowance in subsection (d)(2)(A),  
6 an amount adequate to provide such additional  
7 income as is necessary.

8 “(B) REVISION OF COMMUNITY SPOUSE  
9 RESOURCE ALLOWANCE.—If either such spouse  
10 establishes in such a hearing that the commu-  
11 nity spouse resource allowance (in relation to  
12 the amount of income generated by such an al-  
13 lowance) is inadequate to raise the community  
14 spouse’s income to the minimum monthly main-  
15 tenance needs allowance, there shall be sub-  
16 stituted, for the community spouse resource al-  
17 lowance under subsection (f)(2), an amount  
18 adequate to provide such a minimum monthly  
19 maintenance needs allowance.

20 “(f) PERMITTING TRANSFER OF RESOURCES TO  
21 COMMUNITY SPOUSE.—

22 “(1) IN GENERAL.—An institutionalized spouse  
23 may, without regard to any other provision of the  
24 MediGrant plan to contrary, transfer an amount  
25 equal to the community spouse resource allowance

1 (as defined in paragraph (2)), but only to the extent  
2 the resources of the institutionalized spouse are  
3 transferred to (or for the sole benefit of) the com-  
4 munity spouse. The transfer under the preceding  
5 sentence shall be made as soon as practicable after  
6 the date of the initial determination of eligibility,  
7 taking into account such time as may be necessary  
8 to obtain a court order under paragraph (3).

9 “(2) COMMUNITY SPOUSE RESOURCE ALLOW-  
10 ANCE DEFINED.—In paragraph (1), the ‘community  
11 spouse resource allowance’ for a community spouse  
12 is an amount (if any) by which—

13 “(A) the greatest of—

14 “(i) \$12,000 (subject to adjustment  
15 under subsection (g)), or, if greater (but  
16 not to exceed the amount specified in  
17 clause (ii)(II)) an amount specified under  
18 the State plan,

19 “(ii) the lesser of (I) the spousal  
20 share computed under subsection (c)(1), or  
21 (II) \$60,000 (subject to adjustment under  
22 subsection (g)),

23 “(iii) the amount established under  
24 subsection (e)(2); or



1                   “(iv) the amount transferred under a  
2                   court order under paragraph (3);  
3                   exceeds

4                   “(B) the amount of the resources other-  
5                   wise available to the community spouse (deter-  
6                   mined without regard to such an allowance).

7                   “(g) INDEXING DOLLAR AMOUNTS.—For services  
8                   furnished during a calendar year after 1989, the dollar  
9                   amounts specified in subsections (d)(3)(C), (f)(2)(A)(i),  
10                  and (f)(2)(A)(ii)(II) shall be increased by the same per-  
11                  centage as the percentage increase in the consumer price  
12                  index for all urban consumers (all items; U.S. city aver-  
13                  age) between September 1988 and the September before  
14                  the calendar year involved.

15                  “(h) DEFINITIONS.—In this section:

16                  “(1) The term ‘institutionalized spouse’ means  
17                  an individual—

18                  “(A)(i) who is in a medical institution or  
19                  nursing facility, or

20                  “(ii) at the option of the State (I) who  
21                  would be eligible under the MediGrant plan  
22                  under this title if they were in a medical insti-  
23                  tution, (II) with respect to whom there has  
24                  been a determination that but for the provision  
25                  of home or community-based services they

1 would require the level of care provided in a  
2 hospital, nursing facility or intermediate care  
3 facility for the mentally retarded the cost of  
4 which could be reimbursed under the plan, and  
5 (III) who will receive home or community-based  
6 services pursuant the plan, and

7 “(B) is married to a spouse who is not in  
8 a medical institution or nursing facility;

9 but does not include any such individual who is not  
10 likely to meet the requirements of subparagraph (A)  
11 for at least 30 consecutive days.

12 “(2) The term ‘community spouse’ means the  
13 spouse of an institutionalized spouse.

14 **“SEC. 2116. CONSTRUCTION.**

15 “(a) **NO FEDERAL ENTITLEMENT.**—Nothing in this  
16 title (including section 2112) shall be construed as creat-  
17 ing an entitlement under Federal law in any individual  
18 or category of individuals for medical assistance under a  
19 MediGrant plan.

20 “(b) **STATE FLEXIBILITY IN BENEFITS, PROVIDER**  
21 **PAYMENTS, GEOGRAPHICAL COVERAGE AREA, AND SE-**  
22 **LECTION OF PROVIDERS.**—Nothing in this title (other  
23 than section 2111(b)) shall be construed as requiring a  
24 State—

1           “(1) to provide medical assistance for any par-  
2           ticular items or services;

3           “(2) subject to section 2111(c), to provide for  
4           any payments with respect to any specific health  
5           care providers or any level of payments for any serv-  
6           ices;

7           “(3) to provide for the same medical assistance  
8           in all geographical areas or political subdivisions of  
9           the State;

10          “(4) to provide that the medical assistance  
11          made available to any individual eligible for medical  
12          assistance must not be less in amount, duration, or  
13          scope than the medical assistance made available to  
14          any other such individual; or

15          “(5) to provide that any individual eligible for  
16          medical assistance with respect to an item or service  
17          may choose to obtain such assistance from any insti-  
18          tution, agency, or person qualified to provide the  
19          item or service.

20          “(c) STATE FLEXIBILITY WITH RESPECT TO MAN-  
21          AGED CARE.—Nothing in this title shall be construed—

22                 “(1) to limit a State’s ability to contract with,  
23                 on a capitated basis or otherwise, health care plans  
24                 or individual health care providers for the provision  
25                 or arrangement of medical assistance;

1           “(2) to limit a State’s ability to contract with  
2 health care plans or other entities for case manage-  
3 ment services or for coordination of medical assist-  
4 ance; or

5           “(3) to restrict a State from establishing capi-  
6 tation rates on the basis of competition among  
7 health care plans or negotiations between the State  
8 and one or more health care plans.

9 **“SEC. 2117. LIMITATIONS ON CAUSES OF ACTION.**

10          “(a) **IN GENERAL.**—Notwithstanding any other pro-  
11 vision of this Act (including section 1130A), no person (in-  
12 cluding an applicant, beneficiary, provider, or health plan)  
13 shall have a cause of action under Federal law against  
14 a State in relation to a State’s compliance (or failure to  
15 comply) with the provisions of this title or of a MediGrant  
16 plan.

17          “(b) **NO EFFECT ON STATE LAW.**—Nothing in sub-  
18 section (a) may be construed as affecting any actions  
19 brought under State law.

20                   **“PART C—PAYMENTS TO STATES**

21 **“SEC. 2121. ALLOTMENT OF FUNDS AMONG STATES.**

22          “(a) **ALLOTMENTS.**—

23                  “(1) **COMPUTATION.**—The Secretary shall pro-  
24 vide for the computation of State obligation and out-

1 lay allotments in accordance with this section for  
2 each fiscal year beginning with fiscal year 1996.

3 “(2) LIMITATION ON OBLIGATIONS.—

4 “(A) IN GENERAL.—Subject to subpara-  
5 graph (B), the Secretary shall not enter into  
6 obligations with any State under this title for a  
7 fiscal year in excess of the obligation allotment  
8 for that State for the fiscal year under para-  
9 graph (4). The sum of such obligation allot-  
10 ments for all States in any fiscal year (exclud-  
11 ing amounts carried over under subparagraph  
12 (B) and excluding changes in allotments ef-  
13 fected under paragraph (4)(D)) shall not exceed  
14 the aggregate limit on new obligation authority  
15 specified in paragraph (3) for that fiscal year.

16 “(B) ADJUSTMENTS.—

17 “(i) CARRYOVER OF ALLOTMENT PER-  
18 MITTED.—If the amount of obligations en-  
19 tered into under this part with a State for  
20 quarters in a fiscal year is less than the  
21 amount of the obligation allotment under  
22 this section to the State for the fiscal year,  
23 the amount of the difference shall be added  
24 to the amount of the State obligation allot-

1                   ment otherwise provided under this section  
2                   for the succeeding fiscal year.

3                   “(ii) REDUCTION FOR POST-ENACT-  
4                   MENT NEW OBLIGATIONS UNDER TITLE  
5                   XIX IN FISCAL YEAR 1996.—The amount of  
6                   the obligation allotment otherwise provided  
7                   under this section for fiscal year 1996 for  
8                   a State shall be reduced by the amount of  
9                   the obligations entered into with respect to  
10                  the State under section 1903(a) after the  
11                  date of the enactment of this Act.

12                  “(3) AGGREGATE LIMIT ON NEW OBLIGATION  
13                  AUTHORITY.—

14                  “(A) IN GENERAL.—For purposes of this  
15                  subsection, subject to subparagraph (C), the  
16                  ‘aggregate limit on new obligation authority’,  
17                  for a fiscal year, is the pool amount under sub-  
18                  section (b) for the fiscal year, divided by the  
19                  payout adjustment factor (described in subpara-  
20                  graph (B)) for the fiscal year.

21                  “(B) PAYOUT ADJUSTMENT FACTOR.—For  
22                  purposes of this subsection, the ‘payout adjust-  
23                  ment factor’—

24                                 “(i) for fiscal year 1996 is .950,

25                                 “(ii) for fiscal year 1997 is .986, and

1                   “(iii) for a subsequent fiscal year is  
2                   .998.

3                   “(C) TRANSITIONAL ADJUSTMENT FOR  
4                   PRE-ENACTMENT-OBLIGATION     OUTLAYS.—In  
5                   order to account for pre-enactment-obligation  
6                   outlays described in paragraph (4)(C)(iv), in  
7                   determining the aggregate limit on new obliga-  
8                   tion authority under subparagraph (A) for fis-  
9                   cal year 1996, the pool amount for such fiscal  
10                  year is equal to—

11                  “(i) the pool amount for such year,  
12                  reduced by

13                  “(ii) \$24.624 billion.

14                  “(4) OBLIGATION ALLOTMENTS.—

15                  “(A) GENERAL RULE FOR 50 STATES AND  
16                  THE DISTRICT OF COLUMBIA.—Except as pro-  
17                  vided in this paragraph, the ‘obligation allot-  
18                  ment’ for any of the 50 States or the District  
19                  of Columbia for a fiscal year (beginning with  
20                  fiscal year 1997) is an amount that bears the  
21                  same ratio to the outlay allotment under sub-  
22                  section (c)(2) for such State or District (not  
23                  taking into account any adjustment due to an  
24                  election under paragraph (4)) for the fiscal year  
25                  as the ratio of—

1           “(i) the aggregate limit on new obliga-  
2           tion authority (less the total of the obliga-  
3           tion allotments under subparagraph (B))  
4           for the fiscal year, to

5           “(ii) the pool amount (less the sum of  
6           the outlay allotments for the territories)  
7           for such fiscal year.

8           “(B) TERRITORIES.—The obligation allot-  
9           ment for each of the Commonwealths and terri-  
10          tories for a fiscal year is the outlay allotment  
11          for such Commonwealth or territory (as deter-  
12          mined under subsection (c)(5)) for the fiscal  
13          year divided by the payout adjustment factor  
14          for the fiscal year (as defined in paragraph  
15          (3)(B)).

16          “(C) TRANSITIONAL RULE FOR FISCAL  
17          YEAR 1996.—

18          “(i) IN GENERAL.—The obligation  
19          amount for fiscal year 1996 for any State  
20          (including the District, a Commonwealth,  
21          or territory) is determined according to the  
22          formula:  $A = (B - C) / D$ , where—

23                  “(I) ‘A’ is the obligation amount  
24                  for such State;



1           “(II) ‘B’ is the outlay allotment  
2           of such State for fiscal year 1996, as  
3           determined under subsection (c);

4           “(III) ‘C’ is the amount of the  
5           pre-enactment-obligation outlays (as  
6           established for such State under  
7           clause (ii)); and

8           “(IV) ‘D’ is the payout adjust-  
9           ment factor for such fiscal year (as  
10          defined in paragraph (3)(B)).

11          “(ii)    PRE-ENACTMENT-OBLIGATION  
12          OUTLAY AMOUNTS.—Within 30 days after  
13          the date of the enactment of this title, the  
14          Secretary shall estimate (based on the best  
15          data available) and publish in the Federal  
16          Register the amount of the pre-enactment-  
17          obligation outlays (as defined in clause  
18          (iv)) for each State (including the District,  
19          Commonwealths, and territories). The total  
20          of such amounts shall equal the dollar  
21          amount specified in paragraph (3)(C)(ii).

22          “(iii) AGREEMENT.—The submission  
23          of a MediGrant plan by a State under this  
24          title is deemed to constitute the State’s ac-  
25          ceptance of the obligation allotment limita-

1           tions under this subsection (including the  
2           formula for computing the amount of such  
3           obligation allotment).

4           “(iv)    PRE-ENACTMENT-OBLIGATION  
5           OUTLAYS DEFINED.—In this subsection,  
6           the term ‘pre-enactment-obligation outlays’  
7           means, for a State, the outlays of the Fed-  
8           eral Government that result from obliga-  
9           tions that have been incurred under title  
10          XIX with respect to the State before the  
11          date of the enactment of this title, but for  
12          which payments to States have not been  
13          made as of such date of enactment.

14          “(D) ADJUSTMENT TO REFLECT ADOPTION  
15          OF ALTERNATIVE GROWTH FORMULA.—Any  
16          State that has elected an alternative growth  
17          formula under subsection (c)(4) which increases  
18          or decreases the dollar amount of an outlay al-  
19          lotment for a fiscal year is deemed to have in-  
20          creased or decreased, respectively, its obligation  
21          amount for such fiscal year by the amount of  
22          such increase or decrease.

23          “(b) POOL OF AVAILABLE FUNDS.—

24                 “(1) IN GENERAL.—For purposes of this sec-  
25          tion, the ‘pool amount’ under this subsection for—

1           “(A) fiscal year 1996 is \$95,662,990,500;

2           “(B) fiscal year 1997 is \$102,748,012,797;

3           “(C) fiscal year 1998 is \$107,268,354,400;

4           “(D)       fiscal       year       1999       is  
5           \$111,826,877,512;

6           “(E) fiscal year 2000 is \$116,472,575,350;

7           “(F) fiscal year 2001 is \$121,311,325,403;

8           “(G) fiscal year 2002 is \$126,351,055,338;

9           and

10           “(H) each subsequent fiscal year is the  
11           pool amount under this paragraph for the pre-  
12           vious fiscal year increased by the lesser of  
13           4.1546 percent or the annual percentage in-  
14           crease in the consumer price index for all urban  
15           consumers (U.S. city average) for the 12-month  
16           period ending in June before the beginning of  
17           that subsequent fiscal year.

18           “(2) NATIONAL MEDIGRANT GROWTH PERCENT-  
19           AGE.—For purposes of this section for a fiscal year  
20           (beginning with fiscal year 1997), the ‘national  
21           MediGrant growth percentage’ is the percentage by  
22           which—

23           “(A) the pool amount under paragraph (1)  
24           for the fiscal year, exceeds

1           “(B) such pool amount for the previous  
2           fiscal year.

3           “(c) STATE OUTLAY ALLOTMENTS.—

4           “(1) FISCAL YEAR 1996.—

5           “(A) IN GENERAL.—For each of the 50  
6           States and the District of Columbia, the  
7           amount of the State outlay allotment under this  
8           subsection for fiscal year 1996 is, subject to  
9           paragraph (4), equal to—

10           “(i) the total amount of Federal ex-  
11           penditures made to the State under title  
12           XIX for the 4 quarters in fiscal year 1994,  
13           increased by

14           “(ii) the percentage by which (I)  
15           \$95,529,490,500 (which represents the  
16           total amount of outlay allotments for such  
17           States and District for fiscal year 1996),  
18           exceeds (II) \$83,213,431,458 (which rep-  
19           resents Federal medicaid expenditures for  
20           such States and District for fiscal year  
21           1994).

22           “(B) COMPUTATION OF EXPENDITURES.—

23           The amount of Federal expenditures described  
24           in subparagraph (A)(i) shall be computed, using

1 data reported on the HCFA Form 64 as of  
2 September 1, 1995, based on—

3 “(i) the amount reported on line 11,  
4 or

5 “(ii) on the amount reported on line 6  
6 multiplied by the ratio of (I) the sum of  
7 the amounts so reported on line 11 of such  
8 Form for fiscal year 1994 for the 50  
9 States and the District of Columbia, to  
10 (II) the sum of the amounts so reported on  
11 line 6 of such Form for fiscal year 1994  
12 for such States and District,  
13 whichever is greater.

14 “(C) LIMITATION ON ADJUSTMENT.—The  
15 amount computed under subparagraph (B)  
16 shall not be subject to adjustment (based on  
17 any subsequent disallowances or otherwise).

18 “(2) COMPUTATION OF STATE OUTLAY ALLOT-  
19 MENTS.—

20 “(A) IN GENERAL.—Subject to the suc-  
21 ceeding provisions of this subsection, the  
22 amount of the State outlay allotment under this  
23 subsection for one of the 50 States and the Dis-  
24 trict of Columbia for a fiscal year (beginning

1 with fiscal year 1997) is equal to the product  
2 of—

3 “(i) the needs-based amount deter-  
4 mined under subparagraph (B) for the  
5 State for the fiscal year, and

6 “(ii) the scalar factor described in  
7 subparagraph (C) for the fiscal year.

8 “(B) NEEDS-BASED AMOUNT.—The needs-  
9 based amount under this subparagraph for a  
10 State for a fiscal year is equal to the product  
11 of—

12 “(i) the State’s aggregate expenditure  
13 need for the fiscal year (as determined  
14 under subsection (d)), and

15 “(ii) the State’s old Federal medical  
16 assistance percentage (as defined in section  
17 2122(d)) for the previous fiscal year (or, in  
18 the case of fiscal year 1997, the Federal  
19 medical assistance percentage determined  
20 under section 1905(b) for fiscal year  
21 1996).

22 “(C) SCALAR FACTOR.—The scalar factor  
23 under this subparagraph for a fiscal year is  
24 such proportion so that, when it is applied  
25 under subparagraph (A)(ii) for the fiscal year

1 (taking into account the floors and ceilings  
 2 under paragraph (3)), the total of the outlay al-  
 3 lotments under this subsection for all the 50  
 4 States and the District of Columbia for the fis-  
 5 cal year (not taking into account any increase  
 6 in an outlay allotment for a fiscal year attrib-  
 7 utable to the election of an alternative growth  
 8 formula under paragraph (4)) is equal to the  
 9 amount by which (i) the pool amount for the  
 10 fiscal year (as determined under subsection  
 11 (b)), exceeds (ii) the sum of the outlay allot-  
 12 ments provided under paragraph (5) for the  
 13 Commonwealths and territories for the fiscal  
 14 year.

15 “(3) FLOORS AND CEILINGS.—

16 “(A) FLOORS.—In no case shall the  
 17 amount of the State outlay allotment under  
 18 paragraph (2) for a fiscal year be less than the  
 19 following:

20 “(i) FLOOR BASED ON PREVIOUS  
 21 YEAR’S OUTLAY ALLOTMENT.—Subject to  
 22 clause (ii)—

23 “(I) FISCAL YEAR 1997.—For fis-  
 24 cal year 1997, 103.5 percent of the  
 25 amount of the State outlay allotment

1 under this subsection for fiscal year  
2 1996.

3 “(II) FISCAL YEAR 1998.—For  
4 fiscal year 1998, 103 percent of the  
5 amount of the State outlay allotment  
6 under this subsection for fiscal year  
7 1997.

8 “(III) FISCAL YEAR 1999.—For  
9 fiscal year 1999, 102.5 percent of the  
10 amount of the State outlay allotment  
11 under this subsection for fiscal year  
12 1998.

13 “(IV) SUBSEQUENT FISCAL  
14 YEARS.—For a fiscal year after 1999,  
15 102 percent of the amount of the  
16 State outlay allotment under this sub-  
17 section for the previous fiscal year.

18 “(ii) FLOOR BASED ON OUTLAY AL-  
19 LOTMENT GROWTH RATE IN FIRST  
20 YEAR.—Beginning with fiscal year 1998,  
21 in the case of a State for which the outlay  
22 allotment under this subsection for fiscal  
23 year 1997 exceeded its outlay allotment  
24 under this subsection for the previous fis-  
25 cal year by—



1           “(I) more than 120 percent of  
2           the national MediGrant growth per-  
3           centage for fiscal year 1997, 104 per-  
4           cent of the amount of the State outlay  
5           allotment under this subsection for  
6           the previous fiscal year; or

7           “(II) less than 120 percent (but  
8           more than 75 percent) of the national  
9           MediGrant growth percentage for fis-  
10          cal year 1997, 103 percent of the  
11          amount of the State outlay allotment  
12          under this subsection for the previous  
13          fiscal year.

14          “(B) CEILINGS.—

15                 “(i) IN GENERAL.—In no case shall  
16                 the amount of the State outlay allotment  
17                 under paragraph (2) for a fiscal year be  
18                 greater than the product of—

19                         “(I) the State outlay allotment  
20                         under this subsection for the State for  
21                         the preceding fiscal year, and

22                         “(II) the factor specified in  
23                         clause (ii) (or, if applicable, in clause  
24                         (iii)) for the fiscal year.

1           “(ii) FACTOR DESCRIBED.—The fac-  
2           tor described in this clause for—

3                   “(I) fiscal year 1997 is 1.09, and

4                   “(II) each subsequent fiscal year  
5                   is 1.0533.

6           “(iii) SPECIAL RULE.—For a fiscal  
7           year after fiscal year 1997, in the case of  
8           a State (among the 50 States and the Dis-  
9           trict of Columbia) that is one of the 10  
10          States with the lowest Federal MediGrant  
11          spending per resident-in-poverty rates (as  
12          determined under clause (iv)) for the fiscal  
13          year, the factor that shall be applied under  
14          clause (i)(II) shall be the following:

15                   “(I) For each of fiscal years  
16                   1998 and 1999, 1.06.

17                   “(II) For fiscal year 2000,  
18                   1.060657.

19                   “(III) For fiscal year 2001,  
20                   1.061488.

21                   “(IV) For any subsequent fiscal  
22                   year, 1.062319.

23           “(iv) DETERMINATION OF FEDERAL  
24           MEDIGRANT SPENDING PER RESIDENT-IN-  
25           POVERTY RATE.—For purposes of clause

1 (iii), the 'Federal MediGrant spending per  
2 resident-in-poverty rate' for a State for a  
3 fiscal year is equal to—

4 “(I) the State’s outlay allotment  
5 under this subsection for the previous  
6 fiscal year (determined without regard  
7 to paragraph (4)), divided by

8 “(II) the average annual number  
9 of residents of the State in poverty  
10 (as defined in subsection (d)(2)) with  
11 respect to the fiscal year.

12 “(4) ELECTION OF ALTERNATIVE GROWTH  
13 FORMULA.—

14 “(A) ELECTION.—In order to reduce vari-  
15 ations in increases in outlay allotments over  
16 time, any of the 50 States or the District of Co-  
17 lumbia may elect (by notice provided to the Sec-  
18 retary by not later than April 1, 1996) to adopt  
19 an alternative growth rate formula under this  
20 paragraph for the determination of the State’s  
21 outlay allotment in fiscal year 1996 and for the  
22 increase in the amount of such allotment in  
23 subsequent fiscal years.

24 “(B) FORMULA.—The alternative growth  
25 formula under this paragraph may be any for-

1           mula under which a portion of the State outlay  
2           allotment for fiscal year 1996 under paragraph  
3           (1) is deferred and applied to increase the  
4           amount of its outlay allotment for one or more  
5           subsequent fiscal years, so long as the total  
6           amount of such increases for all such subse-  
7           quent fiscal years does not exceed the amount  
8           of the outlay allotment deferred from fiscal year  
9           1996.

10           “(5) COMMONWEALTHS AND TERRITORIES.—

11           The outlay allotment for each of the Commonwealths  
12           and territories for a fiscal year is the maximum  
13           amount that could have been certified under section  
14           1108(c) with respect to the Commonwealth or terri-  
15           tory for the fiscal year with respect to title XIX, if  
16           the national MediGrant growth percentage (as deter-  
17           mined under subsection (b)(2)) for the fiscal year  
18           had been substituted (beginning with fiscal year  
19           1997) for the percentage increase referred to in sec-  
20           tion 1108(c)(1)(B).

21           “(d) STATE AGGREGATE EXPENDITURE NEED DE-  
22           TERMINED.—

23           “(1) IN GENERAL.—For purposes of subsection  
24           (c), the ‘State aggregate expenditure need’ for a

1 State for a fiscal year is equal to the product of the  
2 following 4 factors:

3 “(A) RESIDENTS IN POVERTY.—The aver-  
4 age annual number of residents in poverty of  
5 the State with respect to the fiscal year (as de-  
6 termined under paragraph (2)).

7 “(B) CASE MIX INDEX.—The average of  
8 the case mix indexes for the State (as deter-  
9 mined under paragraph (3)) for the 3 most re-  
10 cent fiscal years for which data are available,  
11 but in no case less than .9 or greater than 1.15.

12 “(C) INPUT COST INDEX.—The average of  
13 the input cost indexes for the State (as deter-  
14 mined under paragraph (4)) for the 3 most re-  
15 cent fiscal years for which data are available.

16 “(D) NATIONAL AVERAGE SPENDING PER  
17 RESIDENT IN POVERTY.—The national average  
18 spending per resident in poverty (as determined  
19 under paragraph (5)).

20 “(2) RESIDENTS IN POVERTY.—In this sec-  
21 tion—

22 “(A) IN GENERAL.—The term ‘average an-  
23 nual number of residents in poverty’ means,  
24 with respect to a State and a fiscal year, the  
25 average annual number of residents in poverty

1 (as defined in subparagraph (B)) in the State  
2 (based on data made generally available by the  
3 Bureau of the Census from the Current Popu-  
4 lation Survey) for the most recent 3-calendar-  
5 year period (ending before the fiscal year) for  
6 which such data are available.

7 “(B) RESIDENT IN POVERTY DEFINED.—  
8 The term ‘resident in poverty’ means an indi-  
9 vidual whose family income does not exceed the  
10 poverty threshold (as such terms are defined by  
11 the Office of Management and Budget and are  
12 generally interpreted and applied by the Bureau  
13 of the Census for the year involved).

14 “(3) CASE MIX INDEX.—

15 “(A) IN GENERAL.—In this subsection, the  
16 ‘case mix index’ for a State for a fiscal year is  
17 equal to—

18 “(i) the sum of—

19 “(I) the projected per recipient  
20 expenditures with respect to elderly  
21 individuals in the State for the fiscal  
22 year (determined under subparagraph  
23 (B)),

24 “(II) the projected per recipient  
25 expenditures with respect to the blind

1 and disabled individuals in the State  
2 for the fiscal year (determined under  
3 subparagraph (C)), and

4 “(III) the projected per recipient  
5 expenditures with respect to other in-  
6 dividuals in the State (determined  
7 under subparagraph (D));

8 divided by—

9 “(ii) the national average spending  
10 per recipient determined under subpara-  
11 graph (E) for the fiscal year involved.

12 “(B) PROJECTED PER RECIPIENT EXPEND-  
13 ITURES FOR THE ELDERLY.—For purposes of  
14 subparagraph (A)(I)(i), the ‘projected per recip-  
15 ient expenditures with respect to elderly individ-  
16 uals’ in a State for a fiscal year is equal to the  
17 product of—

18 “(i) the national average per recipient  
19 expenditures under this title in the 50  
20 States and the District of Columbia for the  
21 most recent fiscal year for which data are  
22 available for individuals who are 65 years  
23 of age or older, and

24 “(ii) the proportion, of all individuals  
25 who received medical assistance under this

1 title in the State in the most recent fiscal  
2 year referred to in clause (i), that were in-  
3 dividuals described in such clause.

4 “(C) PROJECTED PER RECIPIENT EXPEND-  
5 ITURES FOR THE BLIND AND DISABLED.—For  
6 purposes of subparagraph (A)(i)(II), the ‘pro-  
7 jected per recipient expenditures with respect to  
8 blind and disabled individuals’ in a State for a  
9 fiscal year is equal to the product of—

10 “(i) the national average per recipient  
11 expenditures under this title in the 50  
12 States and the District of Columbia for the  
13 most recent fiscal year for which data are  
14 available for individuals who are eligible  
15 for medical assistance because they are  
16 blind or disabled and under 65 years of  
17 age, and

18 “(ii) the proportion, of all individuals  
19 who received medical assistance under this  
20 title in the State in the most recent fiscal  
21 year referred to in clause (i), that were in-  
22 dividuals described in such clause.

23 “(D) PROJECTED PER RECIPIENT EX-  
24 PENDITURES FOR OTHER INDIVIDUALS.—For  
25 purposes of subparagraph (A)(i)(III), the ‘pro-



1           jected per recipient expenditures with respect to  
2           other individuals' in a State for a fiscal year is  
3           equal to the product of—

4                   “(i) the national average per recipient  
5                   expenditures under this title in the 50  
6                   States and the District of Columbia for the  
7                   most recent fiscal year for which data are  
8                   available for individuals who are not de-  
9                   scribed in subparagraph (B)(i) or (C)(i),  
10                  and

11                  “(ii) the proportion, of all individuals  
12                  who received medical assistance under this  
13                  title in the State in the most recent fiscal  
14                  year referred to in clause (i), that were in-  
15                  dividuals described in such clause.

16                  “(E) NATIONAL AVERAGE SPENDING PER  
17                  RECIPIENT.—For purposes of this paragraph,  
18                  the ‘national average expenditures per recipient’  
19                  for a fiscal year is equal to the sum of—

20                   “(i) the product of (I) the national av-  
21                   erage described in subparagraph (B)(i),  
22                   and (II) the proportion, of all individuals  
23                   who received medical assistance under this  
24                   title in any of the 50 States or the District  
25                   of Columbia in the fiscal year referred to

1 in such subparagraph, who are described  
2 in such subparagraph;

3 “(ii) the product of (I) the national  
4 average described in subparagraph (C)(i),  
5 and (II) the proportion, of all individuals  
6 who received medical assistance under this  
7 title in any of the 50 States or the District  
8 of Columbia in the fiscal year referred to  
9 in such subparagraph, who are described  
10 in such subparagraph; and

11 “(iii) the product of (I) the national  
12 average described in subparagraph (D)(i),  
13 and (II) the proportion, of all individuals  
14 who received medical assistance under this  
15 title in any of the 50 States or the District  
16 of Columbia in the fiscal year referred to  
17 in such subparagraph, who are described  
18 in such subparagraph.

19 “(F) DETERMINATION OF NATIONAL AVER-  
20 AGES AND PROPORTIONS.—

21 “(i) IN GENERAL.—The national aver-  
22 ages per recipient and the proportions re-  
23 ferred to in clauses (i) and (ii), respec-  
24 tively, of subparagraphs (B), (C), and (D)  
25 and subparagraph (E) shall be determined

1 by the Secretary using the most recent  
2 data available.

3 “(ii) USE OF MEDICAID DATA.—If for  
4 a fiscal year there is inadequate data to  
5 compute such averages and proportions  
6 based on expenditures and numbers of in-  
7 dividuals receiving medical assistance  
8 under this title, the Secretary may com-  
9 pute such averages based on expenditures  
10 and numbers of such individuals under  
11 title XIX for the most recent fiscal year  
12 for which data are available and, for this  
13 purpose—

14 “(I) any reference in subpara-  
15 graph (B)(i) to ‘individuals 65 years  
16 of age or older’ is deemed a reference  
17 to ‘individuals whose eligibility for  
18 medical assistance is based on being  
19 65 years of age or older’,

20 “(II) the reference in subpara-  
21 graph (C)(i) to ‘and under 65 years of  
22 age’ shall be considered to be deleted,  
23 and

24 “(III) individuals whose basis for  
25 eligibility for medical assistance was

1 reported as unknown shall not be  
2 counted as individuals under subpara-  
3 graph (D)(i).

4 “(4) INPUT COST INDEX.—

5 “(A) IN GENERAL.—In this section, the  
6 ‘input cost index’ for a State for a fiscal year  
7 is the sum of—

8 “(i) 0.15, and

9 “(ii) 0.85 multiplied by the ratio of  
10 (I) the annual average wages for hospital  
11 employees in the State for the fiscal year  
12 (as determined under subparagraph (B)),  
13 to (II) the annual average wages for hos-  
14 pital employees in the 50 States and the  
15 District of Columbia for such year (as de-  
16 termined under such subparagraph).

17 “(B) DETERMINATION OF ANNUAL AVER-  
18 AGE WAGES OF HOSPITAL EMPLOYEES.—The  
19 Secretary shall provide for the determination of  
20 annual average wages for hospital employees in  
21 a State and, collectively, in the 50 States and  
22 the District of Columbia for a fiscal year based  
23 on the area wage index applicable to hospitals  
24 under 1886(d)(2)(E) (or, if such index no  
25 longer exists, a comparable index of hospital

1 wages) for discharges occurring during the fis-  
2 cal year involved.

3 “(5) NATIONAL AVERAGE SPENDING PER RESI-  
4 DENT IN POVERTY.—For purposes of this sub-  
5 section, the ‘national average spending per resident  
6 in poverty’—

7 “(A) for fiscal year 1997 is equal to—

8 “(i) the sum (for each of the 50  
9 States and the District of Columbia) of the  
10 total of the Federal and State expenditures  
11 under title XIX for calendar quarters in  
12 fiscal year 1994, increased by the percent-  
13 age specified in subsection (c)(1)(A)(ii), di-  
14 vided by

15 “(ii) the sum of the number of resi-  
16 dents in poverty (as defined in paragraph  
17 (2)(A)) for all of the 50 States and the  
18 District of Columbia for fiscal year 1994;

19 “(B) for a succeeding fiscal year is equal  
20 to the national average spending per resident in  
21 poverty under this paragraph for the preceding  
22 fiscal year increased by the national MediGrant  
23 growth percentage (as defined in subsection  
24 (b)(2)) for the fiscal year involved.

1           “(e) PUBLICATION OF OBLIGATION AND OUTLAY AL-  
2 LOTMENTS.—

3           “(1) NOTICE OF PRELIMINARY ALLOTMENTS.—

4           Not later than April 1 before the beginning of each  
5 fiscal year (beginning with fiscal year 1997), the  
6 Secretary shall initially compute, after consultation  
7 with the Comptroller General, and publish in the  
8 Federal Register notice of the proposed obligation  
9 and outlay allotments for each State under this sec-  
10 tion (not taking into account subsection (a)(2)(B))  
11 for the fiscal year. The Secretary shall include in the  
12 notice a description of the methodology and data  
13 used in deriving such allotments for the year.

14           “(2) REVIEW BY GAO.—The Comptroller Gen-  
15 eral shall submit to Congress by not later than May  
16 15 of each such fiscal year, a report analyzing such  
17 allotments and the extent to which they comply with  
18 the precise requirements of this section.

19           “(3) NOTICE OF FINAL ALLOTMENTS.—Not  
20 later than July 1 before the beginning of each such  
21 fiscal year, the Secretary, taking into consideration  
22 the analysis contained in the report of the Comptrol-  
23 ler General under paragraph (2), shall compute and  
24 publish in the Federal Register notice of the final al-  
25 lotments under this section (both taking into ac-

1 count and not taking into account subsection  
2 (a)(2)(B)) for the fiscal year. The Secretary shall in-  
3 clude in the notice a description of any changes in  
4 such allotments from the initial allotments published  
5 under paragraph (1) for the fiscal year and the rea-  
6 sons for such changes. Once published under this  
7 paragraph, the Secretary is not authorized to change  
8 such allotments.

9 “(4) GAO REPORT ON FINAL ALLOTMENTS.—  
10 The Comptroller General shall submit to Congress  
11 by not later than August 1 of each such fiscal year,  
12 a report analyzing the final allotments under para-  
13 graph (3) and the extent to which they comply with  
14 the precise requirements of this section.

15 “(f) SUPPLEMENTAL ALLOTMENT FOR EMERGENCY  
16 HEALTH CARE SERVICES TO CERTAIN ALIENS.—

17 “(1) IN GENERAL.—Notwithstanding the pre-  
18 vious provisions of this section, the amount of the  
19 State outlay allotment for a fiscal year for each sup-  
20 plemental allotment eligible State shall be increased  
21 by the amount of the supplemental outlay allotment  
22 provided under paragraph (2) for the State for that  
23 year. The amount of such increased allotment may  
24 only be used for the purpose of providing medical as-  
25 sistance for care and services for aliens described in

1 paragraph (1) of section 2123(e) and for which the  
2 exception described in paragraph (2) of such section  
3 applies. Section 2122(f)(3) shall apply to such as-  
4 sistance in the same manner as it applies to medical  
5 assistance described in such section.

6 “(2) SUPPLEMENTAL OUTLAY ALLOTMENT.—

7 “(A) IN GENERAL.—For purposes of para-  
8 graph (1), the amount of the supplemental out-  
9 lay allotment for a supplemental allotment eligi-  
10 ble State for a fiscal year is equal to the supple-  
11 mental allotment ratio (as defined in subpara-  
12 graph (C)) multiplied by the supplemental pool  
13 amount (specified in subparagraph (D)) for the  
14 fiscal year.

15 “(B) SUPPLEMENTAL ALLOTMENT ELIGI-  
16 BLE STATE.—In this subsection, the term ‘sup-  
17 plemental allotment eligible State’ means one of  
18 the 12 States with the highest number of un-  
19 documented aliens of all the States.

20 “(C) SUPPLEMENTAL ALLOTMENT  
21 RATIO.—In this paragraph, the ‘supplemental  
22 allotment ratio’ for a State is the ratio of—

23 “(i) the number of undocumented  
24 aliens for the State, to



1           “(ii) the sum of such numbers for all  
2 supplemental allotment eligible States.

3           “(D) SUPPLEMENTAL POOL AMOUNT.—In  
4 this paragraph, the ‘supplemental pool  
5 amount’—

6           “(i) for each of fiscal years 1996  
7 through 2002, is an amount so that, if the  
8 amount were increased for each such fiscal  
9 year beginning with fiscal year 1996 by the  
10 national MediGrant growth percentage for  
11 the year involved, the total of such  
12 amounts for all such fiscal years would be  
13 \$3 billion; and

14           “(ii) for a subsequent year is the sup-  
15 plemental pool amount for the previous fis-  
16 cal year increased by the national  
17 MediGrant growth percentage for such  
18 subsequent year.

19           “(E) DETERMINATION OF NUMBER.—The  
20 number of undocumented aliens in a State  
21 under this paragraph shall be determined based  
22 on estimates of the resident illegal alien popu-  
23 lation residing in each State prepared by the  
24 Statistics Division of the Immigration and Nat-  
25 uralization Service as of October 1992 (or as of

1           such later date if such date is at least 1 year  
2           before the beginning of the fiscal year involved).

3           “(3) TREATMENT FOR OBLIGATION PUR-  
4           POSES.—For purposes of computing obligation allot-  
5           ments under subsection (a)—

6                   “(A) the amount of the supplemental pool  
7                   amount for a fiscal year shall be added to the  
8                   pool amount under subsection (b) for that fiscal  
9                   year, and

10                   “(B) the amount supplemental allotment  
11                   to a State provided under paragraph (1) shall  
12                   be added to the outlay allotment of the State  
13                   for that fiscal year.

14           “(4) SEQUENCE OF OBLIGATIONS.—For pur-  
15           poses of carrying out this title, payments to a sup-  
16           plemental allotment eligible State under section  
17           2122 that are attributable to expenditures for medi-  
18           cal assistance described in the second sentence of  
19           paragraph (1) shall first be counted toward the sup-  
20           plemental outlay allotment provided under this sub-  
21           section, rather than toward the outlay allotment oth-  
22           erwise provided under this section.

23           “(g) SPECIAL ADJUSTMENTS FOR FISCAL YEAR  
24           1996.—Notwithstanding the previous provisions of this  
25           section—

1           “(1) the State outlay allotment for Oregon for  
2           fiscal year 1996 is increased by \$155,682,700, and

3           “(2) the State outlay allotment for Tennessee  
4           for fiscal year 1996 is increased by \$195,468,000.

5 The increases provided under this subsection shall not  
6 apply to or affect the computation of State outlay allot-  
7 ments of any other States and shall not apply for any fis-  
8 cal year other than fiscal year 1996.

9 **“SEC. 2122. PAYMENTS TO STATES.**

10          “(a) AMOUNT OF PAYMENT.—From the allotment of  
11 a State under section 2121 for a fiscal year, subject to  
12 the succeeding provisions of this title, the Secretary shall  
13 pay to each State which has a MediGrant plan approved  
14 under part E, for each quarter in the fiscal year—

15           “(1) an amount equal to the applicable Federal  
16           medical assistance percentage (as defined in sub-  
17           section (c)) of the total amount expended during  
18           such quarter as medical assistance under the plan;  
19           plus

20           “(2) an amount equal to the applicable Federal  
21           medical assistance percentage of the total amount  
22           expended during such quarter for medically-related  
23           services (as defined in section 2112(e)(2)); plus

24           “(3) subject to section 2123(c)—

1           “(A) an amount equal to 90 percent of the  
2           amounts expended during such quarter for the  
3           design, development, and installation of infor-  
4           mation systems and for providing incentives to  
5           promote the enforcement of medical support or-  
6           ders, plus

7           “(B) an amount equal to 75 percent of the  
8           amounts expended during such quarter for  
9           medical personnel, administrative support of  
10          medical personnel, operation and maintenance  
11          of information systems, modification of infor-  
12          mation systems, quality assurance activities,  
13          utilization review, medical and peer review,  
14          anti-fraud activities, independent evaluations,  
15          coordination of benefits, and meeting reporting  
16          requirements under this title, plus

17          “(C) an amount equal to 50 percent of so  
18          much of the remainder of the amounts ex-  
19          pended during such quarter as are expended by  
20          the State in the administration of the State  
21          plan.

22          “(b) PAYMENT PROCESS.—

23                 “(1) QUARTERLY ESTIMATES.—Prior to the be-  
24                 ginning of each quarter, the Secretary shall estimate  
25                 the amount to which a State will be entitled under

1 subsection (a) for such quarter, such estimates to be  
2 based on (A) a report filed by the State containing  
3 its estimate of the total sum to be expended in such  
4 quarter in accordance with the provisions of such  
5 subsections, and stating the amount appropriated or  
6 made available by the State and its political subdivi-  
7 sions for such expenditures in such quarter, and if  
8 such amount is less than the State's proportionate  
9 share of the total sum of such estimated expendi-  
10 tures, the source or sources from which the dif-  
11 ference is expected to be derived, and (B) such other  
12 investigation as the Secretary may find necessary.

13 “(2) PAYMENT.—

14 “(A) IN GENERAL.—The Secretary shall  
15 then pay to the State, in such installments as  
16 the Secretary may determine and in accordance  
17 with section 6503(a) of title 31, United States  
18 Code, the amount so estimated, reduced or in-  
19 creased to the extent of any overpayment or  
20 underpayment which the Secretary determines  
21 was made under this section (or section 1903)  
22 to such State for any prior quarter and with re-  
23 spect to which adjustment has not already been  
24 made under this subsection (or under section  
25 1903(d)).

1           “(B) TREATMENT AS OVERPAYMENTS.—  
2           Expenditures for which payments were made to  
3           the State under subsection (a) shall be treated  
4           as an overpayment to the extent that the State  
5           or local agency administering such plan has  
6           been reimbursed for such expenditures by a  
7           third party pursuant to the provisions of its  
8           plan in compliance with section 2135.

9           “(C) RECOVERY OF OVERPAYMENTS.—For  
10          purposes of this subsection, when an overpay-  
11          ment is discovered, which was made by a State  
12          to a person or other entity, the State shall have  
13          a period of 60 days in which to recover or at-  
14          tempt to recover such overpayment before ad-  
15          justment is made in the Federal payment to  
16          such State on account of such overpayment.  
17          Except as otherwise provided in subparagraph  
18          (D), the adjustment in the Federal payment  
19          shall be made at the end of the 60 days, wheth-  
20          er or not recovery was made.

21          “(D)        NO        ADJUSTMENT        FOR  
22          UNCOLLECTABLES.—In any case where the  
23          State is unable to recover a debt which rep-  
24          resents an overpayment (or any portion thereof)  
25          made to a person or other entity on account of

1           such debt having been discharged in bankruptcy  
2           or otherwise being uncollectable, no adjustment  
3           shall be made in the Federal payment to such  
4           State on account of such overpayment (or por-  
5           tion thereof).

6           “(3) FEDERAL SHARE OF RECOVERIES.—The  
7           pro rata share to which the United States is equi-  
8           tably entitled, as determined by the Secretary, of the  
9           net amount recovered during any quarter by the  
10          State or any political subdivision thereof with re-  
11          spect to medical assistance furnished under the  
12          State plan shall be considered an overpayment to be  
13          adjusted under this subsection.

14          “(4) TIMING OF OBLIGATION OF FUNDS.—  
15          Upon the making of any estimate by the Secretary  
16          under this subsection, any appropriations available  
17          for payments under this section shall be deemed ob-  
18          ligated.

19          “(5) DISALLOWANCES.—In any case in which  
20          the Secretary estimates that there has been an over-  
21          payment under this section to a State on the basis  
22          of a claim by such State that has been disallowed by  
23          the Secretary under section 1116(d), and such State  
24          disputes such disallowance, the amount of the Fed-  
25          eral payment in controversy shall, at the option of

1 the State, be retained by such State or recovered by  
2 the Secretary pending a final determination with re-  
3 spect to such payment amount. If such final deter-  
4 mination is to the effect that any amount was prop-  
5 erly disallowed, and the State chose to retain pay-  
6 ment of the amount in controversy, the Secretary  
7 shall offset, from any subsequent payments made to  
8 such State under this title, an amount equal to the  
9 proper amount of the disallowance plus interest on  
10 such amount disallowed for the period beginning on  
11 the date such amount was disallowed and ending on  
12 the date of such final determination at a rate (deter-  
13 mined by the Secretary) based on the average of the  
14 bond equivalent of the weekly 90-day treasury bill  
15 auction rates during such period.

16 “(c) APPLICABLE FEDERAL MEDICAL ASSISTANCE  
17 PERCENTAGE DEFINED.—In this section, except as pro-  
18 vided in subsection (f), the term ‘applicable Federal medi-  
19 cal assistance percentage’ means, with respect to one of  
20 the 50 States or the District of Columbia, at the State’s  
21 or District’s option—

22 “(1) the old Federal medical assistance percent-  
23 age (as determined in subsection (d)), or

24 “(2) the new Federal medical assistance per-  
25 centage (as determined under subsection (e)) or, if



1 less, the old Federal medical assistance percentage  
2 plus 10 percentage points.

3 “(d) OLD FEDERAL MEDICAL ASSISTANCE PER-  
4 CENTAGE.—

5 “(1) IN GENERAL.—Except as provided in para-  
6 graph (2) and subsection (f), the term ‘old Federal  
7 medical assistance percentage’ for any State is 100  
8 percent less the State percentage; and the State per-  
9 centage is that percentage which bears the same  
10 ratio to 45 percent as the square of the per capita  
11 income of such State bears to the square of the per  
12 capita income of the continental United States (in-  
13 cluding Alaska) and Hawaii.

14 “(2) LIMITATION ON RANGE.—In no case shall  
15 the old Federal medical assistance percentage be less  
16 than 50 percent or more than 83 percent.

17 “(3) PROMULGATION.—The old Federal medical  
18 assistance percentage for any State shall be deter-  
19 mined and promulgated in accordance with the pro-  
20 visions of section 1101(a)(8)(B).

21 “(e) NEW FEDERAL MEDICAL ASSISTANCE PER-  
22 CENTAGE DEFINED.—

23 “(1) IN GENERAL.—

24 “(A) TERM DEFINED.—Except as provided  
25 in paragraph (3) and subsection (f), the term

1 'new Federal medical assistance percentage'  
2 means, for each of the 50 States and the Dis-  
3 trict of Columbia, 100 percent reduced by the  
4 product 0.39 and the ratio of—

5 “(i)(I) for each of the 50 States, the  
6 total taxable resources (TTR) ratio of the  
7 State specified in subparagraph (B), or

8 “(II) for the District of Columbia, the  
9 per capita income ratio specified in sub-  
10 paragraph (C),

11 to—

12 “(ii) the aggregate expenditure need  
13 ratio of the State or District, as described  
14 in subparagraph (D).

15 “(B) TOTAL TAXABLE RESOURCES (TTR)  
16 RATIO.—For purposes of subparagraph  
17 (A)(i)(I), the total taxable resources (TTR)  
18 ratio for each of the 50 States is—

19 “(i) an amount equal to the most re-  
20 cent 3-year average of the total taxable re-  
21 sources (TTR) of the State, as determined  
22 by the Secretary of the Treasury, divided  
23 by

1           “(ii) an amount equal to the sum of  
2           the 3-year averages determined under  
3           clause (i) for each of the 50 States.

4           “(C) PER CAPITA INCOME RATIO.—For  
5           purposes of subparagraph (A)(i)(II), the per  
6           capita income ratio of the District of Columbia  
7           is—

8                   “(i) an amount equal to the most re-  
9                   cent 3-year average of the total personal  
10                  income of the District of Columbia, as de-  
11                  termined in accordance with the provisions  
12                  of section 1101(a)(8)(B), divided by

13                   “(ii) an amount equal to the total per-  
14                  sonal income of the continental United  
15                  States (including Alaska) and Hawaii, as  
16                  determined under section 1101(a)(8)(B).

17           “(D) AGGREGATE EXPENDITURE NEED  
18           RATIO.—For purposes of subparagraph (A),  
19           with respect to each of the 50 States and the  
20           District of Columbia for a fiscal year, the ag-  
21           gregate expenditure need ratio is—

22                   “(i) the State aggregate expenditure  
23                  need (as defined in section 2121(d)) for  
24                  the State for the fiscal year, divided by

1                   “(ii) the such of such State aggregate  
2                   expenditure needs for the 50 States and  
3                   the District of Columbia for the fiscal year.

4                   “(2) LIMITATION ON RANGE.—Except as pro-  
5                   vided in subsection (f), the new Federal medical as-  
6                   sistance percentage shall in no case be less than 40  
7                   percent or greater than 83 percent.

8                   “(3) PROMULGATION.—The new Federal medi-  
9                   cal assistance percentage for any State shall be pro-  
10                  mulgated in a timely manner consistent with the  
11                  promulgation of the old Federal medical assistance  
12                  percentage under section 1101(a)(8)(B).

13                  “(f) SPECIAL RULES.—For purposes of this title—

14                  “(1) COMMONWEALTHS AND TERRITORIES.—In  
15                  the case of Puerto Rico, the Virgin Islands, Guam,  
16                  the Northern Mariana Islands, and American  
17                  Samoa, the old and new Federal medical assistance  
18                  percentages are 50 percent.

19                  “(2) INDIAN HEALTH SERVICE FACILITIES.—

20                  “(A) IN GENERAL.—The old and new Fed-  
21                  eral medical assistance percentages shall be 100  
22                  percent with respect to the amounts expended  
23                  as medical assistance for services which are re-  
24                  ceived through a facility described in subpara-  
25                  graph (B) of an Indian tribe or tribal organiza-

1           tion or through an Indian Health Service facil-  
2           ity whether operated by the Indian Health  
3           Service or by an Indian tribe or tribal organiza-  
4           tion (as defined in section 4 of the Indian  
5           Health Care Improvement Act).

6           “(B) FACILITY DESCRIBED.—For purposes  
7           of subparagraph (A), a facility described in this  
8           subparagraph is a facility of an Indian tribe  
9           if—

10           “(i) the facility is located in a State  
11           which, as of the date of the enactment of  
12           this title, was not operating its State plan  
13           under title XIX pursuant to a Statewide  
14           waiver approved under section 1115,

15           “(ii) the facility is not an Indian  
16           Health Service facility,

17           “(iii) the tribe owns at least 2 such  
18           facilities, and

19           “(iv) the tribe has at least 50,000  
20           members (as of the date of the enactment  
21           of this title).

22           “(3) NO STATE MATCHING REQUIRED FOR CER-  
23           TAIN EXPENDITURES.—In applying subsection (a)(1)  
24           with respect to medical assistance provided to unlaw-  
25           ful aliens pursuant to the exception specified in sec-

1       tion 2123(e)(2), payment shall be made for the  
2       amount of such assistance without regard to any  
3       need for a State match.

4 **"SEC. 2123. LIMITATION ON USE OF FUNDS; DISALLOW-**  
5 **ANCE.**

6       “(a) **IN GENERAL.**—Funds provided to a State under  
7 this title shall only be used to carry out the purposes of  
8 this title.

9       “(b) **DISALLOWANCES FOR EXCLUDED PROVID-**  
10 **ERS.**—

11       “(1) **IN GENERAL.**—Payment shall not be made  
12 to a State under this part for expenditures for items  
13 and services furnished—

14               “(A) by a provider who was excluded from  
15 participation under title V, XVIII, or XX or  
16 under this title pursuant to section 1128,  
17 1128A, 1156, or 1842(j)(2), or

18               “(B) under the medical direction or on the  
19 prescription of a physician who was so excluded,  
20 if the provider of the services knew or had rea-  
21 son to know of the exclusion.

22       “(2) **EXCEPTION FOR EMERGENCY SERVICES.**—  
23 Paragraph (1) shall not apply to emergency items or  
24 services, not including hospital emergency room serv-  
25 ices.

1       “(c) LIMITATIONS.—

2               “(1) IN GENERAL.—No Federal financial assist-  
3       ance is available for expenditures under the  
4       MediGrant plan for—

5               “(A) medically-related services for a quar-  
6       ter to the extent such expenditures exceed 5  
7       percent of the total expenditures under the plan  
8       for the quarter; or

9               “(B) total administrative expenses (other  
10       than expenses described in paragraph (2) dur-  
11       ing the first 8 quarters in which the plan is in  
12       effect under this title) for quarters in a fiscal  
13       year to the extent such expenditures exceed the  
14       sum of \$20,000,000 plus 10 percent of the total  
15       expenditures under the plan for the year.

16              “(2) ADMINISTRATIVE EXPENSES NOT SUBJECT  
17       TO LIMITATION.—The administrative expenses re-  
18       ferred to in this paragraph are expenditures under  
19       the MediGrant plan for the following activities:

20              “(A) Quality assurance.

21              “(B) The development and operation of the  
22       certification program for nursing facilities and  
23       intermediate care facilities for the mentally re-  
24       tarded under section 2137(a)(2).

1           “(C) Utilization review activities, including  
2           medical activities and activities of peer review  
3           organizations.

4           “(D) Inspection and oversight of providers  
5           and capitated health care organizations.

6           “(E) Anti-fraud activities.

7           “(F) Independent evaluations.

8           “(G) Activities required to meet reporting  
9           requirements under this title.

10          “(d) TREATMENT OF THIRD PARTY LIABILITY.—No  
11          payment shall be made to a State under this part for ex-  
12          penditures for medical assistance provided for an individ-  
13          ual under its MediGrant plan to the extent that a private  
14          insurer (as defined by the Secretary by regulation and in-  
15          cluding a group health plan (as defined in section 607(1)  
16          of the Employee Retirement Income Security Act of  
17          1974), a service benefit plan, and a health maintenance  
18          organization) would have been obligated to provide such  
19          assistance but for a provision of its insurance contract  
20          which has the effect of limiting or excluding such obliga-  
21          tion because the individual is eligible for or is provided  
22          medical assistance under the plan.

23          “(e) LIMITATION ON PAYMENTS TO EMERGENCY  
24          SERVICES FOR NONLAWFUL ALIENS.—



1           “(1) IN GENERAL.—Notwithstanding the pre-  
2           ceding provisions of this section, except as provided  
3           in paragraph (2), no payment may be made to a  
4           State under this part for medical assistance fur-  
5           nished to an alien who is not lawfully admitted for  
6           permanent residence or otherwise permanently resid-  
7           ing in the United States under color of law.

8           “(2) EXCEPTION FOR EMERGENCY SERVICES.—  
9           Payment may be made under this section for care  
10          and services that are furnished to an alien described  
11          in paragraph (1) only if—

12                 “(A) such care and services are necessary  
13                 for the treatment of an emergency medical con-  
14                 dition of the alien,

15                 “(B) such alien otherwise meets the eligi-  
16                 bility requirements for medical assistance under  
17                 the MediGrant plan (other than a requirement  
18                 of the receipt of aid or assistance under title  
19                 IV, supplemental security income benefits under  
20                 title XVI, or a State supplementary payment),  
21                 and

22                 “(C) such care and services are not related  
23                 to an organ transplant procedure.

24           “(3) EMERGENCY MEDICAL CONDITION DE-  
25          FINED.—For purposes of this subsection, the term

1 'emergency medical condition' means a medical con-  
2 dition (including emergency labor and delivery)  
3 manifesting itself by acute symptoms of sufficient  
4 severity (including severe pain) such that the ab-  
5 sence of immediate medical attention could reason-  
6 ably be expected to result in—

7 “(A) placing the patient’s health in serious  
8 jeopardy,

9 “(B) serious impairment to bodily func-  
10 tions, or

11 “(C) serious dysfunction of any bodily  
12 organ or part.

13 “(f) LIMITATION ON PAYMENT FOR CERTAIN OUT-  
14 PATIENT PRESCRIPTION DRUGS.—

15 “(1) IN GENERAL.—No payment may be made  
16 to a State under this part for medical assistance for  
17 covered outpatient drugs (as defined in section  
18 2175(i)(2)) of a manufacturer provided under the  
19 MediGrant plan unless the manufacturer (as defined  
20 in section 2175(i)(4)) of the drug—

21 “(A) has entered into a MediGrant master  
22 rebate agreement with the Secretary under sec-  
23 tion 2175; and

24 “(B) is complying with the provisions of  
25 section 8126 of title 38, United States Code, in-

1           cluding the requirement of entering into a mas-  
2           ter agreement with the Secretary of Veterans  
3           Affairs under such section.

4           “(2) CONSTRUCTION.—Nothing in this sub-  
5           section shall be construed as requiring a State to  
6           participate in the MediGrant master rebate agree-  
7           ment under section 2175.

8           “(3) EFFECT OF SUBSEQUENT AMEND-  
9           MENTS.—For purposes of paragraph (1)(B), in de-  
10          termining whether a manufacturer is in compliance  
11          with the requirements of section 8126 of title 38,  
12          United States Code—

13                 “(A) the Secretary shall not take into ac-  
14                 count any amendments to such section that are  
15                 enacted after the enactment of title VI of the  
16                 Veterans Health Care Act of 1992; and

17                 “(B) a manufacturer is deemed to meet  
18                 such requirements if the manufacturer estab-  
19                 lishes to the satisfaction of the Secretary that  
20                 the manufacturer would comply (and has of-  
21                 fered to comply) with the provisions of section  
22                 8126 of title 38, United States Code (as in ef-  
23                 fect immediately after the enactment of the  
24                 Veterans Health Care Act of 1992) and would  
25                 have entered into an agreement under such sec-

1           tion (as such section was in effect at such  
2           time), but for a legislative change in such sec-  
3           tion after the date of the enactment of the Vet-  
4           erans Health Care Act of 1992.

5           “(g) LIMITATION ON PAYMENT FOR ABORTIONS.—

6           “(1) IN GENERAL.—Payment shall not be made  
7           to a State under this part for any amount expended  
8           under the MediGrant plan to pay for any abortion  
9           or to assist in the purchase, in whole or in part, of  
10          health benefit coverage that includes coverage of  
11          abortion.

12          “(2) EXCEPTION.—Paragraph (1) shall not  
13          apply to an abortion—

14                 “(A) if the pregnancy is the result of an  
15                 act of rape or incest, or

16                 “(B) in the case where a woman suffers  
17                 from a physical disorder, illness, or injury that  
18                 would, as certified by a physician, place the  
19                 woman in danger of death unless an abortion is  
20                 performed.

21          “(h) LIMITATION ON PAYMENT FOR ASSISTING  
22          DEATHS.—Payment shall not be made to a State under  
23          this part for amounts expended under the MediGrant plan  
24          to pay for, or to assist in the purchase, in whole or in  
25          part, of health benefit coverage that includes payment for

1 any drug, biological product, or service which was fur-  
2 nished for the purpose of causing, or assisting in causing,  
3 the death, suicide, euthanasia, or mercy killing of a per-  
4 son.

5 “PART D—PROGRAM INTEGRITY AND QUALITY

6 “SEC. 2131. USE OF AUDITS TO ACHIEVE FISCAL INTEGRITY.

7 “(a) FINANCIAL AUDITS OF PROGRAM.—

8 “(1) IN GENERAL.—Each MediGrant plan shall  
9 provide for an annual audit of the State’s expendi-  
10 tures from amounts received under this title, in com-  
11 pliance with chapter 75 of title 31, United States  
12 Code.

13 “(2) VERIFICATION AUDITS.—If, after consulta-  
14 tion with the State and the Comptroller General and  
15 after a fair hearing, the Secretary determines that  
16 a State’s audit under paragraph (1) was performed  
17 in substantial violation of chapter 75 of title 31,  
18 United States Code, the Secretary may—

19 “(A) require that the State provide for a  
20 verification audit in compliance with such chap-  
21 ter, or

22 “(B) conduct such a verification audit.

23 “(3) AVAILABILITY OF AUDIT REPORTS.—With-  
24 in 30 days after completion of each audit or verifica-  
25 tion audit under this subsection, the State shall—

1           “(A) provide the Secretary with a copy of  
2           the audit report, including the State’s response  
3           to any recommendations of the auditor, and

4           “(B) make the audit report available for  
5           public inspection in the same manner as pro-  
6           posed MediGrant plan amendments are made  
7           available under section 2105.

8           “(b) FISCAL CONTROLS.—

9           “(1) IN GENERAL.—With respect to the ac-  
10          counting and expenditure of funds under this title,  
11          each State shall adopt and maintain such fiscal con-  
12          trols, accounting procedures, and data processing  
13          safeguards as the State deems reasonably necessary  
14          to assure the fiscal integrity of the State’s activities  
15          under this title.

16          “(2) CONSISTENCY WITH GENERALLY ACCEPT-  
17          ED ACCOUNTING PRINCIPLES.—Such controls and  
18          procedures shall be generally consistent with gen-  
19          erally accepted accounting principles as recognized  
20          by the Governmental Accounting Standards Board  
21          or the Comptroller General.

22          “(c) AUDITS OF PROVIDERS.—Each MediGrant plan  
23          shall provide that the records of any entity providing items  
24          or services for which payment may be made under the plan

1 may be audited as necessary to ensure that proper pay-  
2 ments are made under the plan.

3 **"SEC. 2132. FRAUD PREVENTION PROGRAM.**

4       “(a) ESTABLISHMENT.—Each MediGrant plan shall  
5 provide for the establishment and maintenance of an effec-  
6 tive program for the detection and prevention of fraud and  
7 abuse by beneficiaries, providers, and others in connection  
8 with the operation of the program.

9       “(b) PROGRAM REQUIREMENTS.—The program es-  
10 tablished pursuant to subsection (a) shall include at least  
11 the following requirements:

12           “(1) DISCLOSURE OF INFORMATION.—Any dis-  
13 closing entity (as defined in section 1124(a)) receiv-  
14 ing payments under the MediGrant plan shall com-  
15 ply with the requirements of section 1124.

16           “(2) SUPPLY OF INFORMATION.—An entity  
17 (other than an individual practitioner or a group of  
18 practitioners) that furnishes, or arranges for the fur-  
19 nishing of, an item or service under the MediGrant  
20 plan shall supply upon request specifically addressed  
21 to the entity by the Secretary or the State agency  
22 the information described in section 1128(b)(9).

23           “(3) EXCLUSION.—

24           “(A) IN GENERAL.—The MediGrant plan  
25 shall exclude any specified individual or entity

1 from participation in the plan for the period  
2 specified by the Secretary when required by the  
3 Secretary to do so pursuant to section 1128 or  
4 section 1128A, and provide that no payment  
5 may be made under the plan with respect to  
6 any item or service furnished by such individual  
7 or entity during such period.

8 “(B) AUTHORITY.—In addition to any  
9 other authority, a State may exclude any indi-  
10 vidual or entity for purposes of participating  
11 under the MediGrant plan for any reason for  
12 which the Secretary could exclude the individual  
13 or entity from participation in a program under  
14 title XVIII or under section 1128, 1128A, or  
15 1866(b)(2).

16 “(4) NOTICE.—The MediGrant plan shall pro-  
17 vide that whenever a provider of services or any  
18 other person is terminated, suspended, or otherwise  
19 sanctioned or prohibited from participating under  
20 the plan, the State agency responsible for admin-  
21 istering the plan shall promptly notify the Secretary  
22 and, in the case of a physician, the State medical li-  
23 censing board of such action.

24 “(5) ACCESS TO INFORMATION.—The  
25 MediGrant plan shall provide that the State will pro-



1       vide information and access to certain information  
2       respecting sanctions taken against health care prac-  
3       titioners and providers by State licensing authorities  
4       in accordance with section 2133.

5       **“SEC. 2133. INFORMATION CONCERNING SANCTIONS TAKEN**  
6                       **BY STATE LICENSING AUTHORITIES AGAINST**  
7                       **HEALTH CARE PRACTITIONERS AND PROVID-**  
8                       **ERS.**

9       “(a) INFORMATION REPORTING REQUIREMENT.—  
10      The requirement referred to in section 2132(b)(5) is that  
11      the State must provide for the following:

12               “(1) INFORMATION REPORTING SYSTEM.—The  
13      State must have in effect a system of reporting the  
14      following information with respect to formal proceed-  
15      ings (as defined by the Secretary in regulations)  
16      concluded against a health care practitioner or entity  
17      by any authority of the State (or of a political sub-  
18      division thereof) responsible for the licensing of  
19      health care practitioners (or any peer review organi-  
20      zation or private accreditation entity reviewing the  
21      services provided by health care practitioners) or en-  
22      tities:

23                       “(A) Any adverse action taken by such li-  
24                       censing authority as a result of the proceeding,  
25                       including any revocation or suspension of a li-

1 cense (and the length of any such suspension),  
2 reprimand, censure, or probation.

3 “(B) Any dismissal or closure of the pro-  
4 ceedings by reason of the practitioner or entity  
5 surrendering the license or leaving the State or  
6 jurisdiction.

7 “(C) Any other loss of the license of the  
8 practitioner or entity, whether by operation of  
9 law, voluntary surrender, or otherwise.

10 “(D) Any negative action or finding by  
11 such authority, organization, or entity regard-  
12 ing the practitioner or entity.

13 “(2) ACCESS TO DOCUMENTS.—The State must  
14 provide the Secretary (or an entity designated by the  
15 Secretary) with access to such documents of the au-  
16 thority described in paragraph (1) as may be nec-  
17 essary for the Secretary to determine the facts and  
18 circumstances concerning the actions and determina-  
19 tions described in such paragraph for the purpose  
20 of carrying out this Act.

21 “(b) FORM OF INFORMATION.—The information de-  
22 scribed in subsection (a)(1) shall be provided to the Sec-  
23 retary (or to an appropriate private or public agency,  
24 under suitable arrangements made by the Secretary with  
25 respect to receipt, storage, protection of confidentiality,

1 and dissemination of information) in such a form and  
2 manner as the Secretary determines to be appropriate in  
3 order to provide for activities of the Secretary under this  
4 Act and in order to provide, directly or through suitable  
5 arrangements made by the Secretary, information—

6           “(1) to agencies administering Federal health  
7 care programs, including private entities administer-  
8 ing such programs under contract,

9           “(2) to licensing authorities described in sub-  
10 section (a)(1),

11           “(3) to State agencies administering or super-  
12 vising the administration of State health care pro-  
13 grams (as defined in section 1128(h)),

14           “(4) to utilization and quality control peer re-  
15 view organizations described in part B of title XI  
16 and to appropriate entities with contracts under sec-  
17 tion 1154(a)(4)(C) with respect to eligible organiza-  
18 tions reviewed under the contracts,

19           “(5) to State MediGrant fraud control units (as  
20 defined in section 2134),

21           “(6) to hospitals and other health care entities  
22 (as defined in section 431 of the Health Care Qual-  
23 ity Improvement Act of 1986), with respect to physi-  
24 cians or other licensed health care practitioners that  
25 have entered (or may be entering) into an employ-

1       ment or affiliation relationship with, or have applied  
2       for clinical privileges or appointments to the medical  
3       staff of, such hospitals or other health care entities  
4       (and such information shall be deemed to be dis-  
5       closed pursuant to section 427 of, and be subject to  
6       the provisions of, that Act),

7           “(7) to the Attorney General and such other  
8       law enforcement officials as the Secretary deems ap-  
9       propriate, and

10          “(8) upon request, to the Comptroller General,  
11       in order for such authorities to determine the fitness  
12       of individuals to provide health care services, to pro-  
13       tect the health and safety of individuals receiving  
14       health care through such programs, and to protect  
15       the fiscal integrity of such programs.

16          “(c) CONFIDENTIALITY OF INFORMATION PRO-  
17       VIDED.—The Secretary shall provide for suitable safe-  
18       guards for the confidentiality of the information furnished  
19       under subsection (a). Nothing in this subsection shall pre-  
20       vent the disclosure of such information by a party which  
21       is otherwise authorized, under applicable State law, to  
22       make such disclosure.

23          “(d) APPROPRIATE COORDINATION.—The Secretary  
24       shall provide for the maximum appropriate coordination  
25       in the implementation of subsection (a) of this section and

1 section 422 of the Health Care Quality Improvement Act  
2 of 1986.

3 **“SEC. 2134. STATE MEDIGRANT FRAUD CONTROL UNITS.**

4       “(a) **IN GENERAL.**—Each MediGrant plan shall pro-  
5 vide for a State MediGrant fraud control unit described  
6 in subsection (b) that effectively carries out the functions  
7 and requirements described in such subsection, unless the  
8 State demonstrates to the satisfaction of the Secretary  
9 that the effective operation of such a unit in the State  
10 would not be cost-effective because minimal fraud exists  
11 in connection with the provision of covered services to eli-  
12 gible individuals under the plan, and that beneficiaries  
13 under the plan will be protected from abuse and neglect  
14 in connection with the provision of medical assistance  
15 under the plan without the existence of such a unit

16       “(b) **UNITS DESCRIBED.**—For purposes of this sub-  
17 section, the term ‘State MediGrant fraud control unit’  
18 means a single identifiable entity of the State government  
19 which meets the following requirements:

20               “(1) **ORGANIZATION.**—The entity—

21                       “(A) is a unit of the office of the State At-  
22 torney General or of another department of  
23 State government which possesses statewide au-  
24 thority to prosecute individuals for criminal vio-  
25 lations;

1           “(B) is in a State the constitution of which  
2           does not provide for the criminal prosecution of  
3           individuals by a statewide authority and has  
4           formal procedures that—

5                   “(i) assure its referral of suspected  
6                   criminal violations relating to the program  
7                   under this title to the appropriate author-  
8                   ity or authorities in the State for prosecu-  
9                   tion, and

10                   “(ii) assure its assistance of, and co-  
11                   ordination with, such authority or authori-  
12                   ties in such prosecutions; or

13           “(C) has a formal working relationship  
14           with the office of the State Attorney General  
15           and has formal procedures (including proce-  
16           dures for its referral of suspected criminal vio-  
17           lations to such office) which provide effective  
18           coordination of activities between the entity and  
19           such office with respect to the detection, inves-  
20           tigation, and prosecution of suspected criminal  
21           violations relating to the program under this  
22           title.

23           “(2) INDEPENDENCE.—The entity is separate  
24           and distinct from any State agency that has prin-

1        cipal responsibilities for administering or supervising  
2        the administration of the MediGrant plan.

3            “(3) FUNCTION.—The entity’s function is con-  
4        ducting a statewide program for the investigation  
5        and prosecution of violations of all applicable State  
6        laws regarding any and all aspects of fraud in con-  
7        nection with any aspect of the provision of medical  
8        assistance and the activities of providers of such as-  
9        sistance under the MediGrant plan.

10           “(4) REVIEW OF COMPLAINTS.—The entity has  
11        procedures for reviewing complaints of the abuse  
12        and neglect of patients of health care facilities which  
13        receive payments under the MediGrant plan under  
14        this title, and, where appropriate, for acting upon  
15        such complaints under the criminal laws of the State  
16        or for referring them to other State agencies for ac-  
17        tion.

18           “(5) OVERPAYMENTS.—The entity provides for  
19        the collection, or referral for collection to a single  
20        State agency, of overpayments that are made under  
21        the MediGrant plan to health care providers and  
22        that are discovered by the entity in carrying out its  
23        activities.

24           “(6) PERSONNEL.—The entity employs such  
25        auditors, attorneys, investigators, and other nec-

1       essary personnel and is organized in such a manner  
2       as is necessary to promote the effective and efficient  
3       conduct of the entity's activities.

4   **"SEC. 2135. RECOVERIES FROM THIRD PARTIES AND OTH-**  
5   **ERS.**

6       “(a) **THIRD PARTY LIABILITY.**—Each MediGrant  
7   plan shall provide for reasonable steps—

8               “(1) to ascertain the legal liability of third par-  
9       ties to pay for care and services available under the  
10      plan, including the collection of sufficient informa-  
11      tion to enable States to pursue claims against third  
12      parties; and

13              “(2) to seek reimbursement for medical assist-  
14      ance provided to the extent legal liability is establish  
15      where the amount expected to be recovered exceeds  
16      the costs of the recovery.

17      “(b) **BENEFICIARY PROTECTION.**—

18              “(1) **IN GENERAL.**—Each MediGrant plan shall  
19      provide that in the case of a person furnishing serv-  
20      ices under the plan for which a third party may be  
21      liable for payment—

22                      “(A) the person may not seek to collect  
23                      from the individual (or financially responsible  
24                      relative) payment of an amount for the service



1 more than could be collected under the plan in  
2 the absence of such third party liability, and

3 “(B) may not refuse to furnish services to  
4 such an individual because of a third party’s  
5 potential liability for payment for the service.

6 “(2) PENALTY.—A MediGrant plan may pro-  
7 vide for a reduction of any payment amount other-  
8 wise due with respect to a person who furnishes  
9 services under the plan in an amount equal to up to  
10 three times the amount of any payment sought to be  
11 collected by that person in violation of paragraph  
12 (1)(A).

13 “(c) GENERAL LIABILITY.—The State shall prohibit  
14 any health insurer (including a group health plan as de-  
15 fined in section 607 of the Employee Retirement Income  
16 Security Act of 1974, a service benefit plan, or a health  
17 maintenance organization), in enrolling an individual or  
18 in making any payments for benefits to the individual or  
19 on the individual’s behalf, from taking into account that  
20 the individual is eligible for or is provided medical assist-  
21 ance under a MediGrant plan for any State.

22 “(d) ACQUISITION OF RIGHTS OF BENEFICIARIES.—  
23 To the extent that payment has been made under a  
24 MediGrant plan in any case where a third party has a  
25 legal liability to make payment for such assistance, the

1 State shall have in effect laws under which, to the extent  
2 that payment has been made under the plan for health  
3 care items or services furnished to an individual, the State  
4 is considered to have acquired the rights of such individual  
5 to payment by any other party for such health care items  
6 or services.

7 “(e) ASSIGNMENT OF MEDICAL SUPPORT RIGHTS.—  
8 The MediGrant plan shall provide for mandatory assign-  
9 ment of rights of payment for medical support and other  
10 medical care owed to recipients in accordance with section  
11 2136.

12 “(f) REQUIRED LAWS RELATING TO MEDICAL CHILD  
13 SUPPORT.—

14 “(1) IN GENERAL.—Each State with a  
15 MediGrant plan shall have in effect the following  
16 laws:

17 “(A) A law that prohibits an insurer from  
18 denying enrollment of a child under the health  
19 coverage of the child’s parent on the ground  
20 that—

21 “(i) the child was born out of wedlock,

22 “(ii) the child is not claimed as a de-  
23 pendent on the parent’s Federal income  
24 tax return, or

1           “(iii) the child does not reside with  
2           the parent or in the insurer’s service area.

3           “(B) In any case in which a parent is re-  
4           quired by a court or administrative order to  
5           provide health coverage for a child and the par-  
6           ent is eligible for family health coverage  
7           through an insurer, a law that requires such in-  
8           surer—

9           “(i) to permit such parent to enroll  
10          under such family coverage any such child  
11          who is otherwise eligible for such coverage  
12          (without regard to any enrollment season  
13          restrictions);

14          “(ii) if such a parent is enrolled but  
15          fails to make application to obtain cov-  
16          erage of such child, to enroll such child  
17          under such family coverage upon applica-  
18          tion by the child’s other parent or by the  
19          State agency administering the program  
20          under this title or part D of title IV; and

21          “(iii) not to disenroll (or eliminate  
22          coverage of) such a child unless the insurer  
23          is provided satisfactory written evidence  
24          that—

1           “(I) such court or administrative  
2           order is no longer in effect, or

3           “(II) the child is or will be en-  
4           rolled in comparable health coverage  
5           through another insurer which will  
6           take effect not later than the effective  
7           date of such disenrollment.

8           “(C) In any case in which a parent is re-  
9           quired by a court or administrative order to  
10          provide health coverage for a child and the par-  
11          ent is eligible for family health coverage  
12          through an employer doing business in the  
13          State, a law that requires such employer—

14                 “(i) to permit such parent to enroll  
15                 under such family coverage any such child  
16                 who is otherwise eligible for such coverage  
17                 (without regard to any enrollment season  
18                 restrictions);

19                 “(ii) if such a parent is enrolled but  
20                 fails to make application to obtain cov-  
21                 erage of such child, to enroll such child  
22                 under such family coverage upon applica-  
23                 tion by the child’s other parent or by the  
24                 State agency administering the program  
25                 under this title or part D of title IV; and

1           “(iii) not to disenroll (or eliminate  
2 coverage of) any such child unless—

3           “(I) the employer is provided sat-  
4 isfactory written evidence that such  
5 court or administrative order is no  
6 longer in effect, or the child is or will  
7 be enrolled in comparable health cov-  
8 erage which will take effect not later  
9 than the effective date of such  
10 disenrollment, or

11           “(II) the employer has eliminated  
12 family health coverage for all of its  
13 employees; and

14           “(iv) to withhold from such employ-  
15 ee’s compensation the employee’s share (if  
16 any) of premiums for health coverage (ex-  
17 cept that the amount so withheld may not  
18 exceed the maximum amount permitted to  
19 be withheld under section 303(b) of the  
20 Consumer Credit Protection Act), and to  
21 pay such share of premiums to the insurer,  
22 except that the Secretary may provide by  
23 regulation for appropriate circumstances  
24 under which an employer may withhold

1 less than such employee's share of such  
2 premiums.

3 “(D) A law that prohibits an insurer from  
4 imposing requirements on a State agency,  
5 which has been assigned the rights of an indi-  
6 vidual eligible for medical assistance under this  
7 title and covered for health benefits from the  
8 insurer, that are different from requirements  
9 applicable to an agent or assignee of any other  
10 individual so covered.

11 “(E) A law that requires an insurer, in  
12 any case in which a child has health coverage  
13 through the insurer of a noncustodial parent—

14 “(i) to provide such information to the  
15 custodial parent as may be necessary for  
16 the child to obtain benefits through such  
17 coverage;

18 “(ii) to permit the custodial parent  
19 (or provider, with the custodial parent's  
20 approval) to submit claims for covered  
21 services without the approval of the  
22 noncustodial parent; and

23 “(iii) to make payment on claims sub-  
24 mitted in accordance with clause (ii) di-

1           rectly to such custodial parent, the pro-  
2           vider, or the State agency.

3           “(F) A law that permits the State agency  
4           under this title to garnish the wages, salary, or  
5           other employment income of, and requires with-  
6           holding amounts from State tax refunds to, any  
7           person who—

8                   “(i) is required by court or adminis-  
9                   trative order to provide coverage of the  
10                  costs of health services to a child who is el-  
11                  igible for medical assistance under this  
12                  title,

13                   “(ii) has received payment from a  
14                   third party for the costs of such services to  
15                   such child, but

16                   “(iii) has not used such payments to  
17                   reimburse, as appropriate, either the other  
18                   parent or guardian of such child or the  
19                   provider of such services,

20           to the extent necessary to reimburse the State  
21           agency for expenditures for such costs under its  
22           plan under this title, but any claims for current  
23           or past-due child support shall take priority  
24           over any such claims for the costs of such serv-  
25           ices.

1           “(2) DEFINITION.—For purposes of this sub-  
2           section, the term ‘insurer’ includes a group health  
3           plan, as defined in section 607(1) of the Employee  
4           Retirement Income Security Act of 1974, a health  
5           maintenance organization, and an entity offering a  
6           service benefit plan.

7           “(g) ESTATE RECOVERIES AND LIENS PER-  
8           MITTED.—A State may take such actions as it considers  
9           appropriate to adjust or recover from the individual or the  
10          individual’s estate any amounts paid as medical assistance  
11          to or on behalf of the individual under the MediGrant  
12          plan, including through the imposition of liens against the  
13          property or estate of the individual.

14          “SEC. 2136. ASSIGNMENT OF RIGHTS OF PAYMENT.

15          “(a) IN GENERAL.—For the purpose of assisting in  
16          the collection of medical support payments and other pay-  
17          ments for medical care owed to recipients of medical as-  
18          sistance under the MediGrant plan, each MediGrant plan  
19          shall—

20                 “(1) provide that, as a condition of eligibility  
21                 for medical assistance under the plan to an individ-  
22                 ual who has the legal capacity to execute an assign-  
23                 ment for himself, the individual is required—

24                         “(A) to assign the State any rights, of the  
25                         individual or of any other person who is eligible



1 for medical assistance under the plan and on  
2 whose behalf the individual has the legal au-  
3 thority to execute an assignment of such rights,  
4 to support (specified as support for the purpose  
5 of medical care by a court or administrative  
6 order) and to payment for medical care from  
7 any third party,

8 “(B) to cooperate with the State (i) in es-  
9 tablishing the paternity of such person (referred  
10 to in subparagraph (A)) if the person is a child  
11 born out of wedlock, and (ii) in obtaining sup-  
12 port and payments (described in subparagraph  
13 (A)) for himself and for such person, unless (in  
14 either case) the individual is a pregnant woman  
15 or the individual is found to have good cause  
16 for refusing to cooperate as determined by the  
17 State, and

18 “(C) to cooperate with the State in identi-  
19 fying, and providing information to assist the  
20 State in pursuing, any third party who may be  
21 liable to pay for care and services available  
22 under the plan, unless such individual has good  
23 cause for refusing to cooperate as determined  
24 by the State; and

1           “(2) provide for entering into cooperative ar-  
2           rangements (including financial arrangements), with  
3           any appropriate agency of any State (including, with  
4           respect to the enforcement and collection of rights of  
5           payment for medical care by or through a parent,  
6           with a State’s agency established or designated  
7           under section 454(3)) and with appropriate courts  
8           and law enforcement officials, to assist the agency or  
9           agencies administering the plan with respect to—

10                   “(A) the enforcement and collection of  
11                   rights to support or payment assigned under  
12                   this section, and

13                   “(B) any other matters of common con-  
14                   cern.

15           “(b) USE OF AMOUNTS COLLECTED.—Such part of  
16 any amount collected by the State under an assignment  
17 made under the provisions of this section shall be retained  
18 by the State as is necessary to reimburse it for medical  
19 assistance payments made on behalf of an individual with  
20 respect to whom such assignment was executed (with ap-  
21 propriate reimbursement of the Federal Government to  
22 the extent of its participation in the financing of such  
23 medical assistance), and the remainder of such amount  
24 collected shall be paid to such individual.

1 "SEC. 2137. QUALITY ASSURANCE STANDARDS FOR NURS-  
2 ING FACILITIES.

3 "(a) STANDARDS FOR AND CERTIFICATION OF CER-  
4 TAIN FACILITIES.—

5 "(1) STANDARDS FOR FACILITIES.—

6 "(A) IN GENERAL.—Each MediGrant plan  
7 shall provide for the establishment and mainte-  
8 nance of standards consistent with the contents  
9 described in subparagraph (B) for nursing fa-  
10 cilities which furnish services under the plan.  
11 Such standards shall provide that nursing fa-  
12 cilities must care for residents in such a man-  
13 ner and in such an environment as will promote  
14 maintenance or enhancement of the quality of  
15 life of each resident.

16 "(B) CONTENTS OF STANDARDS.—The  
17 standards established for facilities under this  
18 paragraph shall contain provisions relating to  
19 the following items:

20 "(i) The treatment of resident medical  
21 records.

22 "(ii) Policies, procedures, and bylaws  
23 for operation.

24 "(iii) Quality assurance systems.

1                   “(iv) Resident assessment procedures,  
2                   including care planning and outcome eval-  
3                   uation.

4                   “(v) The assurance of a safe and ade-  
5                   quate physical plant for the facility.

6                   “(vi) Qualifications for staff sufficient  
7                   to provide adequate care, as defined by the  
8                   State.

9                   “(vii) Utilization review.

10                  “(viii) The protection and enforce-  
11                  ment of resident rights described in para-  
12                  graph (2)(A).

13                  “(C) PROCESS FOR ESTABLISHMENT.—  
14                  The standards established by the State for fa-  
15                  cilities under this paragraph shall be promul-  
16                  gated either through the State’s legislative, reg-  
17                  ulatory, or other process, and may only take ef-  
18                  fect after the State has provided the public with  
19                  notice and an opportunity for comment.

20                  “(2) RESIDENTS’ RIGHTS.—

21                  “(A) IN GENERAL.—The resident rights  
22                  described in this paragraph are the rights of  
23                  residents to the following:

1           “(i) To exercise the individual’s rights  
2 as a resident of the facility and as a citizen  
3 or resident of the United States.

4           “(ii) To receive notice of rights and  
5 services.

6           “(iii) To be protected against the mis-  
7 use of resident funds.

8           “(iv) To be provided privacy and con-  
9 fidentiality.

10          “(v) To voice grievances.

11          “(vi) To examine the results of State  
12 certification program inspections.

13          “(vii) To refuse to perform services  
14 for the facility.

15          “(viii) To be provided privacy in com-  
16 munications and to receive mail.

17          “(ix) To have the facility provide im-  
18 mediate access to any resident by any rep-  
19 resentative of the certification program,  
20 the resident’s individual physician, the  
21 State long term care ombudsman, and any  
22 person the resident has designated as a  
23 visitor.

24          “(x) To retain and use personal prop-  
25 erty.

1           “(xi) To be free from abuse, including  
2 verbal, sexual, physical and mental abuse,  
3 corporal punishment, and involuntary se-  
4 clusion and not to have any physical or  
5 chemical restraints imposed for purposes of  
6 discipline or convenience unless required to  
7 treat the resident’s medical symptoms.

8           “(xii) To be provided with prior writ-  
9 ten notice of a pending transfer or dis-  
10 charge.

11           “(xiii) To organize and participate in  
12 resident groups in the facility and to have  
13 family members meet in the facility with  
14 the families of other residents in the facil-  
15 ity.

16           “(xiv) To participate in social, reli-  
17 gious, and community activities that do not  
18 interfere with the rights of other residents  
19 in the facility.

20           “(xv) To choose a personal attending  
21 physician, to be fully informed in advance  
22 about care and treatment, and (except with  
23 respect to a resident adjudged incom-  
24 petent) to participate in planning care and

1 treatment or changes in care and treat-  
2 ment.

3 “(xvi) To not have psycho-  
4 pharmacologic drugs administered except  
5 under the orders of a physician and as  
6 part of a plan designed to eliminate or  
7 modify the symptoms for which the drugs  
8 are prescribed.

9 “(B) RIGHTS OF INCOMPETENT RESI-  
10 DENTS.—In the case of a resident adjudged in-  
11 competent under the laws of a State, the rights  
12 of the resident under the MediGrant plan shall  
13 devolve upon, and, to the extent judged nec-  
14 essary by a court of competent jurisdiction, be  
15 exercised by, the person appointed under State  
16 law to act on the resident’s behalf.

17 “(3) CERTIFICATION PROGRAM.—

18 “(A) IN GENERAL.—Each MediGrant plan  
19 shall provide for the establishment and oper-  
20 ation of a program consistent with the require-  
21 ments of subparagraph (B) for the certification  
22 of nursing facilities which meet the standards  
23 established under paragraph (1) and the decer-  
24 tification of facilities which fail to meet such  
25 standards.

1           “(B) REQUIREMENTS FOR PROGRAM.—In  
2 addition to any other requirements the State  
3 may impose, in establishing and operating the  
4 certification program under subparagraph (A),  
5 the State shall ensure the following:

6           “(i) The State shall ensure public ac-  
7 cess (as defined by the State) to the cer-  
8 tification program’s evaluations of partici-  
9 pating facilities, including compliance  
10 records and enforcement actions and other  
11 reports by the State regarding the owner-  
12 ship, compliance histories, and services  
13 provided by certified facilities.

14           “(ii) Not less often than every 4  
15 years, the State shall audit its expendi-  
16 tures under the program, through an en-  
17 tity designated by the State which is not  
18 affiliated with the program, as designated  
19 by the State.

20           “(b) INTERMEDIATE SANCTION AUTHORITY.—

21           “(1) AUTHORITY.—In addition to any other au-  
22 thority under State law, where a State determines  
23 that a nursing facility which is certified for partici-  
24 pation under the MediGrant plan no longer substan-  
25 tially meets the requirements for such a facility



1 under this title and further determines that the fa-  
2 cility's deficiencies—

3 “(A) immediately jeopardize the health and  
4 safety of its residents, the State shall at least  
5 provide for the termination of the facility's cer-  
6 tification for participation under the plan, or

7 “(B) do not immediately jeopardize the  
8 health and safety of its residents, the State  
9 may, in lieu of providing for terminating the fa-  
10 cility's certification for participation under the  
11 plan, provide lesser sanctions including one that  
12 provides that no payment will be made under  
13 the plan with respect to any individual admitted  
14 to such facility after a date specified by the  
15 State.

16 “(2) NOTICE.—The State shall not make such  
17 a decision with respect to a facility until the facility  
18 has had a reasonable opportunity, following the ini-  
19 tial determination that it no longer substantially  
20 meets the requirements for such a facility under the  
21 plan, to correct its deficiencies, and, following this  
22 period, has been given reasonable notice and oppor-  
23 tunity for a hearing.

24 “(3) EFFECTIVENESS.—The State's decision to  
25 deny payment may be made effective only after such

1 notice to the public and to the facility as may be  
2 provided for by the State, and its effectiveness shall  
3 terminate (A) when the State finds that the facility  
4 is in substantial compliance (or is making good faith  
5 efforts to achieve substantial compliance) with the  
6 requirements for such a facility under this title, or  
7 (B) in the case described in paragraph (1)(B), with  
8 the end of the eleventh month following the month  
9 such decision is made effective, whichever occurs  
10 first. If a facility to which clause (B) of the previous  
11 sentence applies still fails to substantially meet the  
12 provisions of the respective section on the date speci-  
13 fied in such clause, the State shall terminate such  
14 facility's certification for participation under the  
15 MediGrant plan effective with the first day of the  
16 first month following the month specified in such  
17 clause.

18 **"SEC. 2138. OTHER PROVISIONS PROMOTING PROGRAM IN-**  
19 **TEGRITY.**

20 **"(a) PUBLIC ACCESS TO SURVEY RESULTS.—**Each  
21 MediGrant plan shall provide that upon completion of a  
22 survey of any health care facility or organization by a  
23 State agency to carry out the plan, the agency shall make  
24 public in readily available form and place the pertinent

1 findings of the survey relating to the compliance of the  
2 facility or organization with requirements of law.

3 “(b) RECORD KEEPING.—Each MediGrant plan shall  
4 provide for agreements with persons or institutions provid-  
5 ing services under the plan under which the person or in-  
6 stitution agrees—

7 “(1) to keep such records (including ledgers,  
8 books, and original evidence of costs) as are nec-  
9 essary to fully disclose the extent of the services pro-  
10 vided to individuals receiving assistance under the  
11 plan; and

12 “(2) to furnish the State agency with such in-  
13 formation regarding any payments claimed by such  
14 person or institution for providing services under the  
15 plan, as the State agency may from time to time re-  
16 quest.

17 “PART E—ESTABLISHMENT AND AMENDMENT OF  
18 MEDIGRANT PLANS

19 “SEC. 2151. SUBMITTAL AND APPROVAL OF MEDIGRANT  
20 PLANS.

21 “(a) SUBMITTAL.—As a condition of receiving fund-  
22 ing under part C, each State shall submit to the Secretary  
23 a MediGrant plan that meets the applicable requirements  
24 of this title.

1       “(b) APPROVAL.—Except as the Secretary may pro-  
2 vide under section 2154, a MediGrant plan submitted  
3 under subsection (a)—

4           “(1) shall be approved for purposes of this title,  
5 and

6           “(2) shall be effective beginning with a calendar  
7 quarter that is specified in the plan, but in no case  
8 earlier than the first calendar quarter that begins at  
9 least 60 days after the date the plan is submitted.

10       “(c) APPROVAL OF LEGISLATURE FOR SUBMIT-  
11 TAL.—In the case of a State which has a State allotment  
12 under section 2121(c)(1) for fiscal year 1996 of more than  
13 \$10 billion, the State may not submit a MediGrant plan  
14 under this section unless the State legislature, by law, has  
15 specifically authorized such submittal.

16       “SEC. 2152. SUBMITTAL AND APPROVAL OF PLAN AMEND-  
17                               MENTS.

18       “(a) SUBMITTAL OF AMENDMENTS.—A State may  
19 amend, in whole or in part, its MediGrant plan at any  
20 time through transmittal of a plan amendment under this  
21 section.

22       “(b) APPROVAL.—Except as the Secretary may pro-  
23 vide under section 2154, an amendment to a MediGrant  
24 plan submitted under subsection (a)—

1           “(1) shall be approved for purposes of this title,  
2           and

3           “(2) shall be effective as provided in subsection  
4           (c).

5           “(c) EFFECTIVE DATES FOR AMENDMENTS.—

6           “(1) IN GENERAL.—Subject to the succeeding  
7           provisions of this subsection, an amendment to  
8           MediGrant plan shall take effect on one or more ef-  
9           fective dates specified in the amendment.

10           “(2) AMENDMENTS RELATING TO ELIGIBILITY  
11           OR BENEFITS.—Except as provided in paragraph  
12           (4)—

13           “(A) NOTICE REQUIREMENT.—Any plan  
14           amendment that eliminates or restricts eligi-  
15           bility or benefits under the plan may not take  
16           effect unless the State certifies that it has pro-  
17           vided prior or contemporaneous public notice of  
18           the change, in a form and manner provided  
19           under applicable State law.

20           “(B) TIMELY TRANSMITTAL.—Any plan  
21           amendment that eliminates or restricts eligi-  
22           bility or benefits under the plan shall not be  
23           effective for longer than a 60 day period unless  
24           the amendment has been transmitted to the  
25           Secretary before the end of such period.

1           “(3) OTHER AMENDMENTS.—Subject to para-  
2           graph (4), any plan amendment that is not described  
3           in paragraph (2) becomes effective in a State fiscal  
4           year may not remain in effect after the end of such  
5           fiscal year (or, if later, the end of the 90-day period  
6           on which it becomes effective) unless the amendment  
7           has been transmitted to the Secretary.

8           “(4) EXCEPTION.—The requirements of para-  
9           graphs (2) and (3) shall not apply to a plan amend-  
10          ment that is submitted on a timely basis pursuant  
11          to a court order or an order of the Secretary.

12 **“SEC. 2153. PROCESS FOR STATE WITHDRAWAL FROM PRO-**  
13 **GRAM.**

14          “(a) IN GENERAL.—A State may rescind its  
15          MediGrant plan and discontinue participation in the pro-  
16          gram under this title at any time after providing—

17                 “(1) the public with 90 days prior notice in a  
18                 publication in one or more daily newspapers of gen-  
19                 eral circulation in the State or in any publication  
20                 used by the State to publish State statutes or rules,  
21                 and

22                 “(2) the Secretary with 90 days prior written  
23                 notice.

24          “(b) EFFECTIVE DATE.—Such discontinuation shall  
25          not apply to payments under part C for expenditures made

1 for items and services furnished under the MediGrant plan  
2 before the effective date of the discontinuation.

3 “(c) PRORATION OF ALLOTMENTS.—In the case of  
4 any withdrawal under this section other than at the end  
5 of a Federal fiscal year, notwithstanding any provision of  
6 section 2121 to the contrary, the Secretary shall provide  
7 for such appropriate proration of the application of allot-  
8 ments under section 2121 as is appropriate.

9 “SEC. 2154. SANCTIONS FOR SUBSTANTIAL NONCOMPLI-  
10 ANCE.

11 “(a) PROMPT REVIEW OF PLAN SUBMITTALS.—The  
12 Secretary shall promptly review MediGrant plans and plan  
13 amendments submitted under this part to determine if  
14 they substantially comply with the requirements of this  
15 title.

16 “(b) DETERMINATIONS OF SUBSTANTIAL NON-  
17 COMPLIANCE.—

18 “(1) AT TIME OF PLAN OR AMENDMENT SUB-  
19 MITTAL.—

20 “(A) IN GENERAL.—If the Secretary, dur-  
21 ing the 30-day period beginning on the date of  
22 submittal of a MediGrant plan or plan amend-  
23 ment—

24 “(i) determines that the plan or  
25 amendment substantially violates (within

1 the meaning of subsection (c)) a require-  
2 ment of this title, and

3 “(ii) provides written notice of such  
4 determination to the State,

5 the Secretary shall issue an order specifying  
6 that the plan or amendment, insofar as it is in  
7 substantial violation of such a requirement,  
8 shall not be effective, except as provided in sub-  
9 section (c), beginning at the end of a period of  
10 not less than 30 days, or 120 days in the case  
11 of the initial submission of the MediGrant plan)  
12 specified in the order beginning on the date of  
13 the notice of the determination.

14 “(B) EXTENSION OF TIME PERIODS.—The  
15 time periods specified in subparagraph (A) may  
16 be extended by written agreement of the Sec-  
17 retary and the State involved.

18 “(2) VIOLATIONS IN ADMINISTRATION OF  
19 PLAN.—

20 “(A) IN GENERAL.—If the Secretary deter-  
21 mines, after reasonable notice and opportunity  
22 for a hearing for the State, that in the adminis-  
23 tration of a MediGrant plan there is a substan-  
24 tial violation of a requirement of this title, the  
25 Secretary shall provide the State with written



1 notice of the determination and with an order  
2 to remedy such violation. Such an order shall  
3 become effective prospectively, as specified in  
4 the order, after the date of receipt of such writ-  
5 ten notice. Such an order may include the with-  
6 holding of funds, consistent with subsection (f),  
7 for parts of the MediGrant plan affected by  
8 such violation, until the Secretary is satisfied  
9 that the violation has been corrected.

10 “(B) EFFECTIVENESS.—If the Secretary  
11 issues an order under paragraph (1), the order  
12 shall become effective, except as provided in  
13 subsection (c), beginning at the end of a period  
14 (of not less than 30 days) specified in the order  
15 beginning on the date of the notice of the deter-  
16 mination to the State.

17 “(C) TIMELINESS OF DETERMINATIONS  
18 RELATING TO REPORT-BASED COMPLIANCE.—  
19 The Secretary shall make determinations under  
20 this paragraph respecting violations relating to  
21 information contained in an annual report  
22 under section 2102, an independent evaluation  
23 under section 2103, or an audit report under  
24 section 2131 not later than 30 days after the

1 date of transmittal of the report or evaluation  
2 to the Secretary.

3 “(3) CONSULTATION WITH STATE.—Before  
4 making a determination adverse to a State under  
5 this section, the Secretary shall (within any time pe-  
6 riods provided under this section)—

7 “(A) reasonably consult with the State in-  
8 volved,

9 “(B) offer the State a reasonable oppor-  
10 tunity to clarify the submission and submit fur-  
11 ther information to substantiate compliance  
12 with the requirements of this title, and

13 “(C) reasonably consider any such clari-  
14 fications and information submitted.

15 “(4) JUSTIFICATION OF ANY INCONSISTENCIES  
16 IN DETERMINATIONS.—If the Secretary makes a de-  
17 termination under this section that is, in whole or in  
18 part, inconsistent with any previous determination  
19 issued by the Secretary under this title, the Sec-  
20 retary shall include in the determination a detailed  
21 explanation and justification for any such difference.

22 “(5) SUBSTANTIAL VIOLATION DEFINED.—For  
23 purposes of this title, a MediGrant plan (or amend-  
24 ment to such a plan) or the administration of the  
25 MediGrant plan is considered to ‘substantially vio-

1 late' a requirement of this title if a provision of the  
2 plan or amendment (or an omission from the plan  
3 or amendment) or the administration of the plan—

4 “(A) is material and substantial in nature  
5 and effect, and

6 “(B) is inconsistent with an express re-  
7 quirement of this title.

8 A failure to meet a strategic objective or perform-  
9 ance goal (as described in section 2101) shall not be  
10 considered to substantially violate a requirement of  
11 this title.

12 “(c) STATE RESPONSE TO ORDERS.—

13 “(1) STATE RESPONSE BY REVISING PLAN.—

14 “(A) IN GENERAL.—Insofar as an order  
15 under subsection (b)(1) relates to a substantial  
16 violation by a MediGrant plan or plan amend-  
17 ment, a State may respond (before the date the  
18 order becomes effective) to such an order by  
19 submitting a written revision of the plan or  
20 plan amendment to substantially comply with  
21 the requirements of this part.

22 “(B) REVIEW OF REVISION.—In the case  
23 of submission of such a revision, the Secretary  
24 shall promptly review the submission and shall

1 withhold any action on the order during the pe-  
2 riod of such review.

3 “(C) SECRETARIAL RESPONSE.—The revi-  
4 sion shall be considered to have corrected the  
5 deficiency (and the order rescinded insofar as it  
6 relates to such deficiency) unless the Secretary  
7 determines and notifies the State in writing,  
8 within 15 days after the date the Secretary re-  
9 ceives the revision, that the plan or amendment,  
10 as proposed to be revised, still substantially vio-  
11 lates a requirement of this title. In such case  
12 the State may respond by seeking reconsider-  
13 ation or a hearing under paragraph (2).

14 “(D) REVISION RETROACTIVE.—If the re-  
15 vision provides for substantial compliance, the  
16 revision may be treated, at the option of the  
17 State, as being effective either as of the effec-  
18 tive date of the provision to which it relates or  
19 such later date as the State and Secretary may  
20 agree.

21 “(2) STATE RESPONSE BY SEEKING RECONSID-  
22 ERATION OR AN ADMINISTRATIVE HEARING.—A  
23 State may respond to an order under subsection (b)  
24 by filing a request with the Secretary for—

1           “(A) a reconsideration of the determina-  
2           tion, pursuant to subsection (d)(1), or

3           “(B) a review of the determination through  
4           an administrative hearing, pursuant to sub-  
5           section (d)(2).

6           In such case, the order shall not take effect before  
7           the completion of the reconsideration or hearing.

8           “(3) STATE RESPONSE BY CORRECTIVE ACTION  
9           PLAN.—

10           “(A) IN GENERAL.—In the case of an  
11           order described in subsection (b)(2) that relates  
12           to a substantial violation in the administration  
13           of the MediGrant plan, a State may respond to  
14           such an order by submitting a corrective action  
15           plan with the Secretary to correct deficiencies  
16           in the administration of the plan which are the  
17           subject of the order.

18           “(B) REVIEW OF CORRECTIVE ACTION  
19           PLAN.—In such case, the Secretary shall with-  
20           hold any action on the order for a period (not  
21           to exceed 30 days) during which the Secretary  
22           reviews the corrective action plan.

23           “(C) SECRETARIAL RESPONSE.—The cor-  
24           rective action plan shall be considered to have  
25           corrected the deficiency (and the order re-

1           scinded insofar as it relates to such deficiency)  
2           unless the Secretary determines and notifies the  
3           State in writing, within 15 days after the date  
4           the Secretary receives the corrective action  
5           plan, that the State's administration of the  
6           MediGrant plan, as proposed to be corrected in  
7           the plan, will still substantially violate a re-  
8           quirement of this title. In such case the State  
9           may respond by seeking reconsideration or a  
10          hearing under paragraph (2).

11          “(4) STATE RESPONSE BY WITHDRAWAL OF  
12          PLAN AMENDMENT; FAILURE TO RESPOND.—Insofar  
13          as an order relates to a substantial violation in a  
14          plan amendment submitted, a State may respond to  
15          such an order by withdrawing the plan amendment  
16          and the MediGrant plan shall be treated as though  
17          the amendment had not been made.

18          “(d) ADMINISTRATIVE REVIEW AND HEARING.—

19                 “(1) RECONSIDERATION.—Within 30 days after  
20                 the date of receipt of a request under subsection  
21                 (b)(2)(A), the Secretary shall notify the State of the  
22                 time and place at which a hearing will be held for  
23                 the purpose of reconsidering the Secretary's deter-  
24                 mination. The hearing shall be held not less than 20  
25                 days nor more than 60 days after the date notice of

1 the hearing is furnished to the State, unless the Sec-  
2 retary and the State agree in writing to holding the  
3 hearing at another time. The Secretary shall affirm,  
4 modify, or reverse the original determination within  
5 60 days of the conclusion of the hearing.

6 “(2) ADMINISTRATIVE HEARING.—Within 30  
7 days after the date of receipt of a request under  
8 subsection (b)(2)(B), an administrative law judge  
9 shall schedule a hearing for the purpose of reviewing  
10 the Secretary’s determination. The hearing shall be  
11 held not less than 20 days nor more than 60 days  
12 after the date notice of the hearing is furnished to  
13 the State, unless the Secretary and the State agree  
14 in writing to holding the hearing at another time.  
15 The administrative law judge shall affirm, modify, or  
16 reverse the determination within 60 days of the con-  
17 clusion of the hearing.

18 “(e) JUDICIAL REVIEW.—

19 “(1) IN GENERAL.—A State which is dissatis-  
20 fied with a final determination made by the Sec-  
21 retary under subsection (d)(1) or a final determina-  
22 tion of an administrative law judge under subsection  
23 (d)(2) may, within 60 days after it has been notified  
24 of such determination, file with the United States  
25 court of appeals for the circuit in which the State

1 is located a petition for review of such determina-  
2 tion. A copy of the petition shall be forthwith trans-  
3 mitted by the clerk of the court to the Secretary  
4 and, in the case of a determination under subsection  
5 (d)(2), to the administrative law judge involved. The  
6 Secretary (or judge involved) thereupon shall file in  
7 the court the record of the proceedings on which the  
8 final determination was based, as provided in section  
9 2112 of title 28, United States Code.

10 “(2) STANDARD FOR REVIEW.—The findings of  
11 fact by the Secretary or administrative law judge, if  
12 supported by substantial evidence, shall be conclu-  
13 sive, but the court, for good cause shown, may re-  
14 mand the case to the Secretary or judge to take fur-  
15 ther evidence, and the Secretary or judge may there-  
16 upon make new or modified findings of fact and may  
17 modify a previous determination, and shall certify to  
18 the court the transcript and record of the further  
19 proceedings. Such new or modified findings of fact  
20 shall likewise be conclusive if supported by substan-  
21 tial evidence.

22 “(3) JURISDICTION OF APPELLATE COURT.—  
23 The court shall have jurisdiction to affirm the action  
24 of the Secretary or judge or to set it aside, in whole  
25 or in part. The judgment of the court shall be sub-



1       ject to review by the Supreme Court of the United  
2       States upon certiorari or certification as provided in  
3       section 1254 of title 28, United States Code.

4       “(f) WITHHOLDING OF FUNDS.—

5             “(1) IN GENERAL.—Any order under this sec-  
6       tion relating to the withholding of funds shall be ef-  
7       fective not earlier than the effective date of the  
8       order and shall only relate to the portions of a  
9       MediGrant plan or administration thereof which sub-  
10      stantially violate a requirement of this title. In the  
11      case of a failure to meet a set-aside requirement  
12      under section 2112, any withholding shall only apply  
13      to the extent of such failure.

14            “(2) SUSPENSION OF WITHHOLDING.—The Sec-  
15      retary may suspend withholding of funds under  
16      paragraph (1) during the period reconsideration or  
17      administrative and judicial review is pending under  
18      subsection (d) or (e).

19            “(3) RESTORATION OF FUNDS.—Any funds  
20      withheld under this subsection under an order shall  
21      be immediately restored to a State—

22                    “(A) to the extent and at the time the  
23                    order is—

24                            “(i) modified or withdrawn by the  
25                            Secretary upon reconsideration,

1                   “(ii) modified or reversed by an ad-  
2                   ministrative law judge, or

3                   “(iii) set aside (in whole or in part) by  
4                   an appellate court; or

5                   “(B) when the Secretary determines that  
6                   the deficiency which was the basis for the order  
7                   is corrected;

8                   “(C) when the Secretary determines that  
9                   violation which was the basis for the order is  
10                  resolved or the amendment which was the basis  
11                  for the order is withdrawn; or

12                  “(D) at any time upon the initiative of the  
13                  Secretary.

14 **“SEC. 2155. SECRETARIAL AUTHORITY.**

15                  “(a) **NEGOTIATED AGREEMENT AND DISPUTE RESO-**  
16 **LUTION.—**

17                  “(1) **NEGOTIATIONS.—**Nothing in this part  
18                  shall be construed as preventing the Secretary and  
19                  a State from at any time negotiating a satisfactory  
20                  resolution to any dispute concerning the approval of  
21                  a MediGrant plan (or amendments to a MediGrant  
22                  plan) or the compliance of a MediGrant plan (in-  
23                  cluding its administration) with requirements of this  
24                  title.

1           “(2) COOPERATION.—The Secretary shall act in  
2           a cooperative manner with the States in carrying out  
3           this title. In the event of a dispute between a State  
4           and the Secretary, the Secretary shall, whenever  
5           practicable, engage in informal dispute resolution ac-  
6           tivities in lieu of formal enforcement or sanctions  
7           under section 2154.

8           “(b) LIMITATIONS ON DELEGATION OF DECISION-  
9           MAKING AUTHORITY.—The Secretary may not delegate  
10          (other than to the Administrator of the Health Care Fi-  
11          nancing Administration) the authority to make determina-  
12          tions or reconsiderations respecting the approval of  
13          MediGrant plans (or amendments to such plans) or the  
14          compliance of a MediGrant plan (including its administra-  
15          tion) with requirements of this title. Such Administrator  
16          may not further delegate such authority to any individual,  
17          including any regional official of such Administration.

18          “(c) REQUIRING FORMAL RULEMAKING FOR  
19          CHANGES IN SECRETARIAL ADMINISTRATION.—The Sec-  
20          retary shall carry out the administration of the program  
21          under this title only through a prospective formal rule-  
22          making process, including issuing notices of proposed rule  
23          making, publishing proposed rules or modifications to  
24          rules in the Federal Register, and soliciting public com-  
25          ment.

## 1                   “PART F—GENERAL PROVISIONS

## 2   “SEC. 2171. DEFINITIONS.

## 3           “(a) MEDICAL ASSISTANCE.—

4                   “(1) IN GENERAL.—For purposes of this title,  
5                   except as provided in paragraph (2), the term ‘medi-  
6                   cal assistance’ means payment of part or all the cost  
7                   of any of the following for eligible low-income indi-  
8                   viduals (as defined in subsection (b)) as specified  
9                   under the MediGrant plan:

10                           “(A) Inpatient hospital services.

11                           “(B) Outpatient hospital services.

12                           “(C) Physician services.

13                           “(D) Surgical services.

14                           “(E) Clinic services and other ambulatory  
15                   health care services.

16                           “(F) Nursing facility services.

17                           “(G) Intermediate care facility services for  
18                   the mentally retarded.

19                           “(H) Prescription drugs and biologicals.

20                           “(I) Over-the-counter medications.

21                           “(J) Laboratory and radiological services.

22                           “(K) Family planning services and sup-  
23                   plies.

24                           “(L) Inpatient mental health services, in-  
25                   cluding services furnished in a State-operated

1           mental hospital and including residential or  
2           other 24-hour therapeutically planned struc-  
3           tured services in the case of a child.

4           “(M) Outpatient mental health services, in-  
5           cluding services furnished in a State-operated  
6           mental hospital and including community-based  
7           services in the case of a child.

8           “(N) Durable medical equipment and other  
9           medically-related or remedial devices (such as  
10          prosthetic devices, implants, eyeglasses, hearing  
11          aids, dental devices, and adaptive devices).

12          “(O) Disposable medical supplies.

13          “(P) Home and community-based health  
14          care services and related supportive services  
15          (such as home health nursing services, home  
16          health aide services, personal care, assistance  
17          with activities of daily living, chore services, day  
18          care services, respite care services, and training  
19          for family members).

20          “(Q) Community supported living arrange-  
21          ments.

22          “(R) Nursing care services (such as private  
23          duty nursing care, nurse midwife services, res-  
24          piratory care services, pediatric nurse services,

1 and advanced practice nurse services) in a  
2 home, school, or other setting.

3 “(S) Dental services.

4 “(T) Inpatient substance abuse treatment  
5 services and residential substance abuse treat-  
6 ment services.

7 “(U) Outpatient substance abuse treat-  
8 ment services.

9 “(V) Case management services.

10 “(W) Care coordination services.

11 “(X) Physical therapy, occupational ther-  
12 apy, and services for individuals with speech,  
13 hearing, and language disorders.

14 “(Y) Hospice care.

15 “(Z) Any other medical, diagnostic, screen-  
16 ing, preventive, restorative, remedial, thera-  
17 peutic, or rehabilitative services (whether in a  
18 facility, home, school, or other setting) if recog-  
19 nized by State law and if the service is—

20 “(i) prescribed by or furnished by a  
21 physician or other licensed or registered  
22 practitioner within the scope of practice as  
23 defined by State law,

1           “(ii) performed under the general su-  
2           pervision or at the direction of a physician,  
3           or

4           “(iii) furnished by a health care facil-  
5           ity that is operated by a State or local gov-  
6           ernment or is licensed under State law and  
7           operating within the scope of the license.

8           “(AA) Premiums for private health care  
9           insurance coverage, including private long-term  
10          care insurance coverage.

11          “(BB) Medical transportation.

12          “(CC) Medicare cost-sharing (as defined in  
13          subsection (e)).

14          “(DD) Enabling services (such as trans-  
15          portation, translation, and outreach services)  
16          designed to increase the accessibility of primary  
17          and preventive health care services for eligible  
18          low-income individuals.

19          “(EE) Any other health care services or  
20          items specified by the Secretary.

21          “(2) EXCLUSION OF CERTAIN PAYMENTS.—  
22          Such term does not include the payment with re-  
23          spect to care or services for—

1           “(A) any individual who is an inmate of a  
2           public institution (except as a patient in a State  
3           psychiatric hospital); and

4           “(B) any individual who is not an eligible  
5           low-income individual.

6           “(b) ELIGIBLE LOW-INCOME INDIVIDUAL.—The  
7           term ‘eligible low-income individual’ means an individual  
8           who has been determined eligible by the State for medical  
9           assistance under the MediGrant plan and whose family in-  
10          come (as determined under the plan) does not exceed a  
11          percentage (specified in the MediGrant plan and not to  
12          exceed 300 percent) of the poverty line for a family of  
13          the size involved. In determining the amount of income  
14          under the previous sentence, a State may exclude costs  
15          incurred for medical care or other types of remedial care  
16          recognized by the State.

17          “(c) MEDICARE COST-SHARING.—For purposes of  
18          this title, the term ‘medicare cost-sharing’ means any of  
19          the following:

20                 “(1)(A) Premiums under section 1839.

21                 “(B) Premiums under section 1818 or 1818A.

22                 “(2) Coinsurance under title XVIII (including  
23          coinsurance described in section 1813).



1           “(3) Deductibles established under title XVIII  
2           (including those described in section 1813 and sec-  
3           tion 1833(b)).

4           “(4) The difference between the amount that is  
5           paid under section 1833(a) and the amount that  
6           would be paid under such section if any reference to  
7           ‘80 percent’ therein were deemed a reference to ‘100  
8           percent’.

9           “(5) Premiums for enrollment of an individual  
10           with an eligible organization under section 1876 or  
11           with a MedicarePlus organization under part C of  
12           title XVIII.

13           “(d) ADDITIONAL DEFINITIONS.—For purposes of  
14 this title:

15           “(1) CHILD.—The term ‘child’ means an indi-  
16           vidual under 19 years of age.

17           “(2) POVERTY LINE DEFINED.—The term ‘pov-  
18           erty line’ means the income official poverty line (as  
19           defined by the Office of Management and Budget  
20           and revised annually in accordance with section  
21           673(2) of the Omnibus Budget Reconciliation Act of  
22           1981).

23           “(3) PREGNANT WOMAN.—The term ‘pregnant  
24           woman’ includes a woman during the 60-day period  
25           beginning on the last day of the pregnancy.

1 **"SEC. 2172. TREATMENT OF TERRITORIES.**

2 "Notwithstanding any other requirement of this title,  
3 the Secretary may waive or modify any requirement of this  
4 title with respect to the medical assistance program a  
5 State other than the 50 States and the District of Colum-  
6 bia, other than a waiver of—

7 "(1) the applicable Federal medical assistance  
8 percentage,

9 "(2) the limitation on total payments in a fiscal  
10 year to the amount of the allotment under section  
11 2121(c), or

12 "(3) the requirement that payment may be  
13 made for medical assistance only with respect to  
14 amounts expended by the State for care and services  
15 described in paragraph (1) of section 2171(a) and  
16 medically-related services (as defined in section  
17 2112(e)(2)).

18 **"SEC. 2173. DESCRIPTION OF TREATMENT OF INDIAN**  
19 **HEALTH SERVICE FACILITIES.**

20 "In the case of a State in which one or more facilities  
21 of the Indian Health Service are located, the MediGrant  
22 plan shall include a description of—

23 "(1) what provision (if any) has been made for  
24 payment for items and services furnished by such fa-  
25 cilities, and

1           “(2) the manner in which medical assistance for  
2           low-income eligible individuals who are Indians will  
3           be provided, as determined by the State in consulta-  
4           tion with the appropriate Indian tribes and tribal or-  
5           ganizations.

6   **“SEC. 2174. APPLICATION OF CERTAIN GENERAL PROVI-**  
7                                   **SIONS.**

8           “The following sections in part A of title XI shall  
9           apply to States under this title in the same manner as  
10          they applied to a State under title XIX:

11           “(1) Section 1101(a)(1) (relating to definition  
12          of State).

13           “(2) Section 1116 (relating to administrative  
14          and judicial review), but only insofar as consistent  
15          with the provisions of part C.

16           “(3) Section 1124 (relating to disclosure of  
17          ownership and related information).

18           “(4) Section 1126 (relating to disclosure of in-  
19          formation about certain convicted individuals).

20           “(5) Section 1128B(d) (relating to criminal  
21          penalties for certain additional charges).

22           “(6) Section 1132 (relating to periods within  
23          which claims must be filed).

1 "SEC. 2175. MEDIGRANT MASTER DRUG REBATE AGREE-  
2 MENTS.

3 "(a) REQUIREMENT FOR MANUFACTURER TO ENTER  
4 INTO AGREEMENT.—

5 "(1) IN GENERAL.—Pursuant to section  
6 2123(f), in order for payment to be made to a State  
7 under part C for medical assistance for covered out-  
8 patient drugs of a manufacturer, the manufacturer  
9 shall enter into and have in effect an MediGrant  
10 master rebate agreement described in subsection (b)  
11 with the Secretary on behalf of States electing to  
12 participate in the agreement.

13 "(2) STATE PARTICIPATION IN MASTER AGREE-  
14 MENT OPTIONAL.—Nothing in this section shall be  
15 construed to—

16 "(A) require a State to participate in an  
17 MediGrant master rebate agreement under this  
18 section; or

19 "(B) prohibit a State from entering into  
20 an agreement with a manufacturer of covered  
21 outpatient drugs (under such terms as the  
22 State and manufacturer may agree upon) re-  
23 garding the amount of payment for such drugs  
24 under the MediGrant plan.

25 "(3) COVERAGE OF DRUGS NOT COVERED  
26 UNDER REBATE AGREEMENTS.—Nothing in this sec-

1       tion shall be construed to prohibit a State in its dis-  
2       cretion from providing coverage under its MediGrant  
3       plan of a covered outpatient drug for which no re-  
4       bate agreement is in effect under this section.

5           “(4) EFFECT ON EXISTING AGREEMENTS.—If a  
6       State has a rebate agreement in effect with a manu-  
7       facturer on the date of the enactment of this section  
8       which provides for a minimum aggregate rebate  
9       equal to or greater than the minimum aggregate re-  
10      bate which would otherwise be paid under the  
11      MediGrant master agreement under this section, at  
12      the option of the State—

13           “(A) such agreement shall be considered to  
14      meet the requirements of the MediGrant master  
15      rebate agreement; and

16           “(B) the State shall be considered to have  
17      elected to participate in the MediGrant master  
18      rebate agreement.

19      “(b) TERMS OF REBATE AGREEMENT.—

20           “(1) PERIODIC REBATES.—The MediGrant  
21      master rebate agreement under this section shall re-  
22      quire the manufacturer to provide, to the MediGrant  
23      plan of each State participating in the agreement, a  
24      rebate for a rebate period in an amount specified in  
25      subsection (c) for covered outpatient drugs of the

1 manufacturer dispensed after the effective date of  
2 the agreement, for which payment was made under  
3 the plan for such period. Such rebate shall be paid  
4 by the manufacturer not later than 30 days after the  
5 date of receipt of the information described in para-  
6 graph (2) for the period involved.

7 “(2) STATE PROVISION OF INFORMATION.—

8 “(A) STATE RESPONSIBILITY.—Each State  
9 participating in the MediGrant master rebate  
10 agreement shall report to each manufacturer  
11 not later than 60 days after the end of each re-  
12 bate period and in a form consistent with a  
13 standard reporting format established by the  
14 Secretary, information on the total number of  
15 units of each dosage form and strength and  
16 package size of each covered outpatient drug,  
17 for which payment was made under the  
18 MediGrant plan for the period, and shall  
19 promptly transmit a copy of such report to the  
20 Secretary.

21 “(B) AUDITS.—A manufacturer may audit  
22 the information provided (or required to be pro-  
23 vided) under subparagraph (A). Adjustments to  
24 rebates shall be made to the extent that infor-

1           mation indicates that utilization was greater or  
2           less than the amount previously specified.

3           “(3) MANUFACTURER PROVISION OF PRICE IN-  
4           FORMATION.—

5           “(A) IN GENERAL.—Each manufacturer  
6           which is subject to the MediGrant master re-  
7           bate agreement under this section shall report  
8           to the Secretary—

9                   “(i) not later than 30 days after the  
10                   last day of each rebate period under the  
11                   agreement (beginning on or after January  
12                   1, 1991), on the average manufacturer  
13                   price (as defined in subsection (i)(1)) and,  
14                   for single source drugs and innovator mul-  
15                   tiple source drugs, the manufacturer’s best  
16                   price (as defined in subsection (c)(1)(C))  
17                   for each covered outpatient drug for the  
18                   rebate period under the agreement, and

19                   “(ii) not later than 30 days after the  
20                   date of entering into an agreement under  
21                   this section, on the average manufacturer  
22                   price (as defined in subsection (i)(1)) as of  
23                   October 1, 1990, for each of the manufac-  
24                   turer’s covered outpatient drugs.

1           “(B) VERIFICATION SURVEYS OF AVERAGE  
2           MANUFACTURER PRICE.—The Secretary may  
3           survey wholesalers and manufacturers that di-  
4           rectly distribute their covered outpatient drugs,  
5           when necessary, to verify manufacturer prices  
6           reported under subparagraph (A). The Sec-  
7           retary may impose a civil monetary penalty in  
8           an amount not to exceed \$10,000 on a whole-  
9           saler, manufacturer, or direct seller, if the  
10          wholesaler, manufacturer, or direct seller of a  
11          covered outpatient drug refuses a request for  
12          information by the Secretary in connection with  
13          a survey under this subparagraph. The provi-  
14          sions of section 1128A (other than subsections  
15          (a) (with respect to amounts of penalties or ad-  
16          ditional assessments) and (b)) shall apply to a  
17          civil money penalty under this subparagraph in  
18          the same manner as such provisions apply to  
19          a penalty or proceeding under section  
20          1128A(a).

21           “(C) PENALTIES.—

22           “(i) FAILURE TO PROVIDE TIMELY IN-  
23           FORMATION.—In the case of a manufac-  
24           turer which is subject to the MediGrant  
25           master rebate agreement that fails to pro-



1           vide information required under subpara-  
2           graph (A) on a timely-basis, the amount of  
3           the penalty shall be \$10,000 for each day  
4           in which such information has not been  
5           provided and such amount shall be paid to  
6           the Treasury. If such information is not  
7           reported within 90 days of the deadline im-  
8           posed, the agreement shall be suspended  
9           for services furnished after the end of such  
10          90-day period and until the date such in-  
11          formation is reported (but in no case shall  
12          such suspension be for a period of less  
13          than 30 days).

14           “(ii) FALSE INFORMATION.—Any  
15          manufacturer which is subject to the  
16          MediGrant master rebate agreement, or a  
17          wholesaler or direct seller, that knowingly  
18          provides false information under subpara-  
19          graph (A) or (B) is subject to a civil  
20          money penalty in an amount not to exceed  
21          \$100,000 for each item of false informa-  
22          tion. Any such civil money penalty shall be  
23          in addition to other penalties as may be  
24          prescribed by law. The provisions of sec-  
25          tion 1128A (other than subsections (a) and

1 (b)) shall apply to a civil money penalty  
2 under this subparagraph in the same man-  
3 ner as such provisions apply to a penalty  
4 or proceeding under section 1128A(a).

5 “(D) CONFIDENTIALITY OF INFORMA-  
6 TION.—Notwithstanding any other provision of  
7 law, information disclosed by manufacturers or  
8 wholesalers under this paragraph or under an  
9 agreement with the Secretary of Veterans Af-  
10 fairs described in section 2123(f) is confidential  
11 and shall not be disclosed by the Secretary or  
12 the Secretary of Veterans Affairs or a State  
13 agency (or contractor therewith) in a form  
14 which discloses the identity of a specific manu-  
15 facturer or wholesaler or the prices charged for  
16 drugs by such manufacturer or wholesaler, ex-  
17 cept—

18 “(i) as the Secretary determines to be  
19 necessary to carry out this section,

20 “(ii) to permit the Comptroller Gen-  
21 eral to review the information provided,  
22 and

23 “(iii) to permit the Director of the  
24 Congressional Budget Office to review the  
25 information provided.

1           “(4) LENGTH OF AGREEMENT.—

2                   “(A) IN GENERAL.—The MediGrant mas-  
3           ter rebate agreement under this section shall be  
4           effective for an initial period of not less than 1  
5           year and shall be automatically renewed for a  
6           period of not less than one year unless termi-  
7           nated under subparagraph (B).

8                   “(B) TERMINATION.—

9                           “(i) BY THE SECRETARY.—The Sec-  
10           retary may provide for termination of the  
11           MediGrant master rebate agreement with  
12           respect to a manufacturer for violation of  
13           the requirements of the agreement or other  
14           good cause shown. Such termination shall  
15           not be effective earlier than 60 days after  
16           the date of notice of such termination. The  
17           Secretary shall provide, upon request, a  
18           manufacturer with a hearing concerning  
19           such a termination, but such hearing shall  
20           not delay the effective date of the termi-  
21           nation. Failure of a State to provide any  
22           advance notice of such a termination as re-  
23           quired by regulation shall not affect the  
24           State’s right to terminate coverage of the

1 drugs affected by such termination as of  
2 the effective date of such termination.

3 “(ii) BY A MANUFACTURER.—A man-  
4 ufacturer may terminate its participation  
5 in the MediGrant master rebate agreement  
6 under this section for any reason. Any  
7 such termination shall not be effective  
8 until the calendar quarter beginning at  
9 least 60 days after the date the manufac-  
10 turer provides notice to the Secretary.

11 “(iii) EFFECTIVENESS OF TERMI-  
12 NATION.—Any termination under this sub-  
13 paragraph shall not affect rebates due  
14 under the agreement before the effective  
15 date of its termination.

16 “(iv) NOTICE TO STATES.—In the  
17 case of a termination under this subpara-  
18 graph, the Secretary shall provide notice of  
19 such termination to the States within not  
20 less than 30 days before the effective date  
21 of such termination.

22 “(v) APPLICATION TO TERMINATIONS  
23 OF OTHER AGREEMENTS.—The provisions  
24 of this subparagraph shall apply to the ter-  
25 minations of master agreements described

1 in section 8126(a) of title 38, United  
2 States Code.

3 “(C) DELAY BEFORE REENTRY.—In the  
4 case of any rebate agreement with a manufac-  
5 turer under this section which is terminated,  
6 another such agreement with the manufacturer  
7 (or a successor manufacturer) may not be en-  
8 tered into until a period of 1 calendar quarter  
9 has elapsed since the date of the termination,  
10 unless the Secretary finds good cause for an  
11 earlier reinstatement of such an agreement.

12 “(c) DETERMINATION OF AMOUNT OF REBATE.—

13 “(1) BASIC REBATE FOR SINGLE SOURCE  
14 DRUGS AND INNOVATOR MULTIPLE SOURCE  
15 DRUGS.—

16 “(A) IN GENERAL.—Except as provided in  
17 paragraph (2), the amount of the rebate speci-  
18 fied in this subsection with respect to a State  
19 participating in the MediGrant master rebate  
20 agreement for a rebate period (as defined in  
21 subsection (i)(8)) with respect to each dosage  
22 form and strength of a single source drug or  
23 an innovator multiple source drug shall be equal  
24 to the product of—

1           “(i) the total number of units of each  
2 dosage form and strength paid for under  
3 the State plan in the rebate period (as re-  
4 ported by the State); and

5           “(ii) the greater of—

6                   “(I) the difference between the  
7 average manufacturer price and the  
8 best price (as defined in subparagraph  
9 (C)) for the dosage form and strength  
10 of the drug, or

11                   “(II) the minimum rebate per-  
12 centage (specified in subparagraph  
13 (B)) of such average manufacturer  
14 price,

15 for the rebate period.

16           “(B) MINIMUM REBATE PERCENTAGE.—  
17 For purposes of subparagraph (A)(ii)(II), the  
18 ‘minimum rebate percentage’ is 15.1 percent.

19           “(C) BEST PRICE DEFINED.—For pur-  
20 poses of this section—

21                   “(i) IN GENERAL.—The term ‘best  
22 price’ means, with respect to a single  
23 source drug or innovator multiple source  
24 drug of a manufacturer, the lowest price  
25 available from the manufacturer during the

1 rebate period to any wholesaler, retailer,  
2 provider, health maintenance organization,  
3 nonprofit entity, or governmental entity  
4 within the United States, excluding—

5 “(I) any prices charged on or  
6 after October 1, 1992, to the Indian  
7 Health Service, the Department of  
8 Veterans Affairs, a State home receiv-  
9 ing funds under section 1741 of title  
10 38, United States Code, the Depart-  
11 ment of Defense, the Public Health  
12 Service, or a covered entity described  
13 in section 340B(a)(4) of the Public  
14 Health Service Act;

15 “(II) any prices charged under  
16 the Federal Supply Schedule of the  
17 General Services Administration;

18 “(III) any prices used under a  
19 State pharmaceutical assistance pro-  
20 gram; and

21 “(IV) any depot prices and single  
22 award contract prices, as defined by  
23 the Secretary, of any agency of the  
24 Federal Government.

1                   “(ii) SPECIAL RULES.—The term ‘best  
2                   price’—

3                   “(I) shall be inclusive of cash dis-  
4                   counts, free goods that are contingent  
5                   on any purchase requirement, volume  
6                   discounts, and rebates (other than re-  
7                   bates under this section);

8                   “(II) shall be determined without  
9                   regard to special packaging, labeling,  
10                  or identifiers on the dosage form or  
11                  product or package;

12                  “(III) shall not take into account  
13                  prices that are merely nominal in  
14                  amount; and

15                  “(IV) shall exclude rebates paid  
16                  under this section or any other re-  
17                  bates paid to a State participating in  
18                  the MediGrant master rebate agree-  
19                  ment.

20                  “(2) ADDITIONAL REBATE FOR SINGLE SOURCE  
21                  AND INNOVATOR MULTIPLE SOURCE DRUGS.—

22                  “(A) IN GENERAL.—The amount of the re-  
23                  bate specified in this subsection with respect to  
24                  a State participating in the MediGrant master  
25                  rebate agreement for a rebate period, with re-



1           spect to each dosage form and strength of a  
2           single source drug or an innovator multiple  
3           source drug, shall be increased by an amount  
4           equal to the product of—

5                     “(i) the total number of units of such  
6                     dosage form and strength dispensed after  
7                     December 31, 1990, for which payment  
8                     was made under the MediGrant plan for  
9                     the rebate period; and

10                    “(ii) the amount (if any) by which—

11                             “(I) the average manufacturer  
12                             price for the dosage form and  
13                             strength of the drug for the period,  
14                             exceeds

15                             “(II) the average manufacturer  
16                             price for such dosage form and  
17                             strength for the calendar quarter be-  
18                             ginning July 1, 1990 (without regard  
19                             to whether or not the drug has been  
20                             sold or transferred to an entity, in-  
21                             cluding a division or subsidiary of the  
22                             manufacturer, after the first day of  
23                             such quarter), increased by the per-  
24                             centage by which the consumer price  
25                             index for all urban consumers (United

1 States city average) for the month be-  
2 fore the month in which the rebate pe-  
3 riod begins exceeds such index for  
4 September 1990.

5 “(B) TREATMENT OF SUBSEQUENTLY AP-  
6 PROVED DRUGS.—In the case of a covered out-  
7 patient drug approved by the Food and Drug  
8 Administration after October 1, 1990, clause  
9 (ii)(II) of subparagraph (A) shall be applied by  
10 substituting ‘the first full calendar quarter after  
11 the day on which the drug was first marketed’  
12 for ‘the calendar quarter beginning July 1,  
13 1990’ and ‘the month prior to the first month  
14 of the first full calendar quarter after the day  
15 on which the drug was first marketed’ for ‘Sep-  
16 tember 1990’.

17 “(3) REBATE FOR OTHER DRUGS.—

18 “(A) IN GENERAL.—The amount of the re-  
19 bate paid to a State participating in the  
20 MediGrant master rebate agreement for a re-  
21 bate period with respect to each dosage form  
22 and strength of covered outpatient drugs (other  
23 than single source drugs and innovator multiple  
24 source drugs) shall be equal to the product of—

1           “(i) the applicable percentage (as de-  
2           scribed in subparagraph (B)) of the aver-  
3           age manufacturer price for the dosage  
4           form and strength for the rebate period,  
5           and

6           “(ii) the total number of units of such  
7           dosage form and strength dispensed after  
8           December 31, 1990, for which payment  
9           was made under the MediGrant plan for  
10          the rebate period.

11          “(B) APPLICABLE PERCENTAGE DE-  
12          FINED.—For purposes of subparagraph (A)(i),  
13          the ‘applicable percentage’ is 11 percent.

14          “(4) LIMITATION ON AMOUNT OF REBATE TO  
15          AMOUNTS PAID FOR CERTAIN DRUGS.—Upon request  
16          of a manufacturer of a covered outpatient drug for  
17          which a majority of the estimated number of units  
18          of such dosage form and strength that are subject  
19          to rebates under this section were dispensed to inpa-  
20          tients of nursing facilities (including drugs which are  
21          exempt from the requirements of the MediGrant  
22          master rebate agreement under this section under  
23          subsection (h)(1)(B)), the Secretary shall limit the  
24          amount of the rebate under this subsection with re-  
25          spect to a dosage form and strength of the drug for

1 a rebate period to the amount paid under the  
2 MediGrant plan with respect to such dosage form  
3 and strength of the drug in the rebate period (with-  
4 out consideration of any dispensing fees paid).

5 “(d) LIMITATIONS ON COVERAGE OF DRUGS BY  
6 STATES PARTICIPATING IN MASTER AGREEMENT.—

7 “(1) PERMISSIBLE RESTRICTIONS.—A State  
8 participating in the MediGrant master rebate agree-  
9 ment under this section may—

10 “(A) subject to prior authorization under  
11 its MediGrant plan any covered outpatient drug  
12 so long as any such prior authorization pro-  
13 gram complies with the requirements of para-  
14 graph (5); and

15 “(B) exclude or otherwise restrict coverage  
16 under its plan of a covered outpatient drug if—

17 “(i) the prescribed use is not for a  
18 medically accepted indication (as defined in  
19 subsection (i)(5));

20 “(ii) the drug is contained in the list  
21 referred to in paragraph (2);

22 “(iii) the drug is subject to such re-  
23 strictions pursuant to the MediGrant mas-  
24 ter rebate agreement or any agreement de-  
25 scribed in subsection (a)(4); or

1                   “(iv) the State has excluded coverage  
2                   of the drug from its formulary established  
3                   in accordance with paragraph (4).

4                   “(2) LIST OF DRUGS SUBJECT TO RESTRIC-  
5                   TION.—The following drugs or classes of drugs, or  
6                   their medical uses, may be excluded from coverage  
7                   or otherwise restricted by a State participating in  
8                   the MediGrant master rebate agreement:

9                   “(A) Agents when used for anorexia,  
10                  weight loss, or weight gain.

11                  “(B) Agents when used to promote fertil-  
12                  ity.

13                  “(C) Agents when used for cosmetic pur-  
14                  poses or hair growth.

15                  “(D) Agents when used for the sympto-  
16                  matic relief of cough and colds.

17                  “(E) Agents when used to promote smok-  
18                  ing cessation.

19                  “(F) Prescription vitamins and mineral  
20                  products, except prenatal vitamins and fluoride  
21                  preparations.

22                  “(G) Nonprescription drugs.

23                  “(H) Covered outpatient drugs which the  
24                  manufacturer seeks to require as a condition of  
25                  sale that associated tests or monitoring services

1           be purchased exclusively from the manufacturer  
2           or its designee.

3           “(I) Barbiturates.

4           “(J) Benzodiazepines.

5           “(3) ADDITIONS TO DRUG LISTINGS.—The Sec-  
6           retary shall, by regulation, periodically update the  
7           list of drugs or classes of drugs described in para-  
8           graph (2), or their medical uses, which the Secretary  
9           has determined to be subject to clinical abuse or in-  
10          appropriate use.

11          “(4) REQUIREMENTS FOR FORMULARIES.—A  
12          State participating in the MediGrant master rebate  
13          agreement may establish a formulary if the for-  
14          mulary meets the following requirements:

15                 “(A) The formulary is developed by a com-  
16                 mittee consisting of physicians, pharmacists,  
17                 and other appropriate individuals appointed by  
18                 the Governor of the State.

19                 “(B) Except as provided in subparagraph  
20                 (C), the formulary includes the covered out-  
21                 patient drugs of any manufacturer which has  
22                 entered into and complies with the agreement  
23                 under subsection (a) (other than any drug ex-  
24                 cluded from coverage or otherwise restricted  
25                 under paragraph (2)).

1           “(C) A covered outpatient drug may be ex-  
2           cluded with respect to the treatment of a spe-  
3           cific disease or condition for an identified popu-  
4           lation (if any) only if, based on the drug’s label-  
5           ing (or, in the case of a drug the prescribed use  
6           of which is not approved under the Federal  
7           Food, Drug, and Cosmetic Act but is a medi-  
8           cally accepted indication, based on information  
9           from the appropriate compendia described in  
10          subsection (i)(5)), the excluded drug does not  
11          have a significant, clinically meaningful thera-  
12          peutic advantage in terms of safety, effective-  
13          ness, or clinical outcome of such treatment for  
14          such population over other drugs included in  
15          the formulary and there is a written expla-  
16          nation (available to the public) of the basis for  
17          the exclusion.

18          “(D) The State plan permits coverage of a  
19          drug excluded from the formulary (other than  
20          any drug excluded from coverage or otherwise  
21          restricted under paragraph (2)) pursuant to a  
22          prior authorization program that is consistent  
23          with paragraph (5).

24          “(E) The formulary meets such other re-  
25          quirements as the Secretary may impose in

1           order to achieve program savings consistent  
2           with protecting the health of program bene-  
3           ficiaries.

4           A prior authorization program established by a State  
5           under paragraph (5) is not a formulary subject to  
6           the requirements of this paragraph.

7           “(5) REQUIREMENTS OF PRIOR AUTHORIZATION  
8           PROGRAMS.—The MediGrant plan of a State partici-  
9           pating in the MediGrant master rebate agreement  
10          may require, as a condition of coverage or payment  
11          for a covered outpatient drug for which Federal fi-  
12          nancial participation is available in accordance with  
13          this section the approval of the drug before its dis-  
14          pensing for any medically accepted indication (as de-  
15          fined in subsection (i)(5)) only if the system provid-  
16          ing for such approval—

17                 “(A) provides response by telephone or  
18                 other telecommunication device within 24 hours  
19                 of a request for prior authorization; and

20                 “(B) except with respect to the drugs on  
21                 the list referred to in paragraph (2), provides  
22                 for the dispensing of at least a 72-hour supply  
23                 of a covered outpatient prescription drug in an  
24                 emergency situation (as defined by the Sec-  
25                 retary).



1           “(6) OTHER PERMISSIBLE RESTRICTIONS.—A  
2 State participating in the MediGrant master rebate  
3 agreement may impose limitations, with respect to  
4 all such drugs in a therapeutic class, on the mini-  
5 mum or maximum quantities per prescription or on  
6 the number of refills, if such limitations are nec-  
7 essary to discourage waste, and may address in-  
8 stances of fraud or abuse by individuals in any man-  
9 ner authorized under this Act.

10           “(e) DRUG USE REVIEW.—

11           “(1) IN GENERAL.—A State participating in the  
12 MediGrant master rebate agreement may provide for  
13 a drug use review program to educate physicians  
14 and pharmacists to identify and reduce the fre-  
15 quency of patterns of fraud, abuse, gross overuse, or  
16 inappropriate or medically unnecessary care, among  
17 physicians, pharmacists, and patients, or associated  
18 with specific drugs or groups of drugs, as well as po-  
19 tential and actual severe adverse reactions to drugs.

20           “(2) APPLICATION OF STATE STANDARDS.—A  
21 State with a drug use review program under this  
22 subsection shall establish and operate the program  
23 under such standards as it may establish.

24           “(f) ELECTRONIC CLAIMS MANAGEMENT.—In ac-  
25 cordance with chapter 35 of title 44, United States Code

1 (relating to coordination of Federal information policy),  
2 the Secretary shall encourage each State to establish, as  
3 its principal means of processing claims for covered out-  
4 patient drugs under its MediGrant plan, a point-of-sale  
5 electronic claims management system, for the purpose of  
6 performing on-line, real time eligibility verifications,  
7 claims data capture, adjudication of claims, and assisting  
8 pharmacists (and other authorized persons) in applying  
9 for and receiving payment.

10 “(g) ANNUAL REPORT.—

11 “(1) IN GENERAL.—Not later than May 1 of  
12 each year, the Secretary shall transmit to the Com-  
13 mittee on Finance of the Senate, the Committee on  
14 Commerce of the House of Representatives, and the  
15 Committee on Aging of the Senate a report on the  
16 operation of this section in the preceding fiscal year.

17 “(2) DETAILS.—Each report shall include infor-  
18 mation on—

19 “(A) ingredient costs paid under this title  
20 for single source drugs, multiple source drugs,  
21 and nonprescription covered outpatient drugs;

22 “(B) the total value of rebates received  
23 and number of manufacturers providing such  
24 rebates;

1           “(C) the effect of inflation on the value of  
2 rebates required under this section;

3           “(D) trends in prices paid under this title  
4 for covered outpatient drugs; and

5           “(E) Federal and State administrative  
6 costs associated with compliance with the provi-  
7 sions of this title.

8           “(h) EXEMPTION FOR CAPITATED HEALTH CARE  
9 ORGANIZATIONS, HOSPITALS, AND NURSING FACILI-  
10 TIES.—

11           “(1) IN GENERAL.—Except as provided in para-  
12 graph (2), the requirements of the MediGrant mas-  
13 ter rebate agreement under this section shall not  
14 apply with respect to covered outpatient drugs dis-  
15 pensed by or through—

16           “(A) a capitated health care organization  
17 (as defined in section 2114(c)(1)); or

18           “(B) a hospital or nursing facility that dis-  
19 penses covered outpatient drugs using a drug  
20 formulary system and bills the State no more  
21 than the hospital’s purchasing costs for covered  
22 outpatient drugs.

23           “(2) CONSTRUCTION IN DETERMINING BEST  
24 PRICE.—Nothing in paragraph (1) shall be con-  
25 strued as excluding amounts paid by the entities de-

1 scribed in such paragraph for covered outpatient  
2 drugs from the determination of the best price (as  
3 defined in subsection (c)(1)(C)) for such drugs.

4 “(i) DEFINITIONS.—In the section—

5 “(1) AVERAGE MANUFACTURER PRICE.—The  
6 term ‘average manufacturer price’ means, with re-  
7 spect to a covered outpatient drug of a manufacturer  
8 for a rebate period, the average price paid to the  
9 manufacturer for the drug in the United States by  
10 wholesalers for drugs distributed to the retail phar-  
11 macy class of trade, after deducting customary  
12 prompt pay discounts.

13 “(2) COVERED OUTPATIENT DRUG.—Subject to  
14 the exceptions in subparagraph (D), the term ‘cov-  
15 ered outpatient drug’ means—

16 “(A) of those drugs which are treated as  
17 prescribed drugs for purposes of section  
18 2171(a)(1)(H), a drug which may be dispensed  
19 only upon prescription (except as provided in  
20 paragraph (7)), and—

21 “(i) which is approved as a prescrip-  
22 tion drug under section 505 or 507 of the  
23 Federal Food, Drug, and Cosmetic Act;

24 “(ii)(I) which was commercially used  
25 or sold in the United States before the

1 date of the enactment of the Drug Amend-  
2 ments of 1962 or which is identical, simi-  
3 lar, or related (within the meaning of sec-  
4 tion 310.6(b)(1) of title 21 of the Code of  
5 Federal Regulations) to such a drug, and  
6 (II) which has not been the subject of a  
7 final determination by the Secretary that it  
8 is a 'new drug' (within the meaning of sec-  
9 tion 201(p) of the Federal Food, Drug,  
10 and Cosmetic Act) or an action brought by  
11 the Secretary under section 301, 302(a),  
12 or 304(a) of such Act to enforce section  
13 502(f) or 505(a) of such Act; or

14 “(iii)(I) which is described in section  
15 107(c)(3) of the Drug Amendments of  
16 1962 and for which the Secretary has de-  
17 termined there is a compelling justification  
18 for its medical need, or is identical, simi-  
19 lar, or related (within the meaning of sec-  
20 tion 310.6(b)(1) of title 21 of the Code of  
21 Federal Regulations) to such a drug, and  
22 (II) for which the Secretary has not issued  
23 a notice of an opportunity for a hearing  
24 under section 505(e) of the Federal Food,  
25 Drug, and Cosmetic Act on a proposed

1           order of the Secretary to withdraw ap-  
2           proval of an application for such drug  
3           under such section because the Secretary  
4           has determined that the drug is less than  
5           effective for some or all conditions of use  
6           prescribed, recommended, or suggested in  
7           its labeling;

8           “(B) a biological product, other than a  
9           vaccine which—

10                   “(i) may only be dispensed upon pre-  
11                   scription,

12                   “(ii) is licensed under section 351 of  
13                   the Public Health Service Act, and

14                   “(iii) is produced at an establishment  
15                   licensed under such section to produce  
16                   such product;

17           “(C) insulin certified under section 506 of  
18           the Federal Food, Drug, and Cosmetic Act; and

19           “(D) a drug which may be sold without a  
20           prescription (commonly referred to as an ‘over-  
21           the-counter drug’), if the drug is prescribed by  
22           a physician (or other person authorized to pre-  
23           scribe under State law).

24           “(3) LIMITING DEFINITION.—The term ‘covered  
25           outpatient drug’ does not include any drug, biologi-

1 cal product, or insulin provided as part of, or as in-  
2 cident to and in the same setting as, any of the fol-  
3 lowing (and for which payment may be made under  
4 a MediGrant plan as part of payment for the follow-  
5 ing and not as direct reimbursement for the drug):

6 “(A) Inpatient hospital services.

7 “(B) Hospice services.

8 “(C) Dental services, except that drugs for  
9 which the MediGrant plan authorizes direct re-  
10 imbursement to the dispensing dentist are cov-  
11 ered outpatient drugs.

12 “(D) Physicians’ services.

13 “(E) Outpatient hospital services.

14 “(F) Nursing facility services and services  
15 provided by an intermediate care facility for the  
16 mentally retarded.

17 “(G) Other laboratory and x-ray services.

18 “(H) Renal dialysis services.

19 Such term also does not include any such drug or  
20 product for which a National Drug Code number is  
21 not required by the Food and Drug Administration  
22 or a drug or biological used for a medical indication  
23 which is not a medically accepted indication. Any  
24 drug, biological product, or insulin excluded from the  
25 definition of such term as a result of this paragraph

1 shall be treated as a covered outpatient drug for  
2 purposes of determining the best price (as defined in  
3 subsection (c)(1)(C)) for such drug, biological prod-  
4 uct, or insulin.

5 “(4) MANUFACTURER.—The term ‘manufac-  
6 turer’ means, with respect to a covered outpatient  
7 drug, the entity holding legal title to or possession  
8 of the National Drug Code number for such drug.

9 “(5) MEDICALLY ACCEPTED INDICATION.—The  
10 term ‘medically accepted indication’ means any use  
11 for a covered outpatient drug which is approved  
12 under the Federal Food, Drug, and Cosmetic Act, or  
13 the use of which is supported by one or more cita-  
14 tions included or approved for inclusion in any of the  
15 following compendia:

16 “(A) American Hospital Formulary Service  
17 Drug Information.

18 “(B) United States Pharmacopeia-Drug  
19 Information.

20 “(C) American Medical Association Drug  
21 Evaluations.

22 “(D) The peer-reviewed medical literature.

23 “(6) MULTIPLE SOURCE DRUG; INNOVATOR  
24 MULTIPLE SOURCE DRUG; NONINNOVATOR MUL-  
25 TIPLE SOURCE DRUG; SINGLE SOURCE DRUG.—



1           “(A) DEFINED.—

2           “(i) MULTIPLE SOURCE DRUG.—The  
3           term ‘multiple source drug’ means, with  
4           respect to a rebate period, a covered out-  
5           patient drug (not including any drug de-  
6           scribed in paragraph (2)(D)) for which  
7           there are 2 or more drug products which—

8                   “(I) are rated as therapeutically  
9                   equivalent (under the Food and Drug  
10                  Administration’s most recent publica-  
11                  tion of ‘Approved Drug Products with  
12                  Therapeutic Equivalence Evalua-  
13                  tions’),

14                  “(II) except as provided in sub-  
15                  paragraph (B), are pharmaceutically  
16                  equivalent and bioequivalent, as de-  
17                  fined in subparagraph (C) and as de-  
18                  termined by the Food and Drug Ad-  
19                  ministration, and

20                  “(III) are sold or marketed in  
21                  the State during the period.

22           “(ii) INNOVATOR MULTIPLE SOURCE  
23           DRUG.—The term ‘innovator multiple  
24           source drug’ means a multiple source drug  
25           that was originally marketed under an

1 original new drug application or product li-  
2 censing application approved by the Food  
3 and Drug Administration.

4 “(iii) NONINNOVATOR MULTIPLE  
5 SOURCE DRUG.—The term ‘noninnovator  
6 multiple source drug’ means a multiple  
7 source drug that is not an innovator mul-  
8 tiple source drug.

9 “(iv) SINGLE SOURCE DRUG.—The  
10 term ‘single source drug’ means a covered  
11 outpatient drug which is produced or dis-  
12 tributed under an original new drug appli-  
13 cation approved by the Food and Drug Ad-  
14 ministration, including a drug product  
15 marketed by any cross-licensed producers  
16 or distributors operating under the new  
17 drug application or product licensing appli-  
18 cation.

19 “(B) EXCEPTION.—Subparagraph  
20 (A)(i)(II) shall not apply if the Food and Drug  
21 Administration changes by regulation the re-  
22 quirement that, for purposes of the publication  
23 described in subparagraph (A)(i)(I), in order  
24 for drug products to be rated as therapeutically  
25 equivalent, they must be pharmaceutically

1 equivalent and bioequivalent, as defined in sub-  
2 paragraph (C).

3 “(C) DEFINITIONS.—For purposes of this  
4 paragraph—

5 “(i) drug products are pharmaceuti-  
6 cally equivalent if the products contain  
7 identical amounts of the same active drug  
8 ingredient in the same dosage form and  
9 meet compendial or other applicable stand-  
10 ards of strength, quality, purity, and iden-  
11 tity;

12 “(ii) drugs are bioequivalent if they do  
13 not present a known or potential  
14 bioequivalence problem, or, if they do  
15 present such a problem, they are shown to  
16 meet an appropriate standard of  
17 bioequivalence; and

18 “(iii) a drug product is considered to  
19 be sold or marketed in a State if it appears  
20 in a published national listing of average  
21 wholesale prices selected by the Secretary,  
22 if the listed product is generally available  
23 to the public through retail pharmacies in  
24 that State.

1           “(7) NONPRESCRIPTION DRUGS.—If the  
2           MediGrant plan of a State participating in the  
3           MediGrant master rebate agreement under this sec-  
4           tion includes coverage of prescribed drugs as de-  
5           scribed in section 2171(a)(1)(H) and permits cov-  
6           erage of drugs which may be sold without a prescrip-  
7           tion (commonly referred to as ‘over-the-counter’  
8           drugs), if they are prescribed by a physician (or  
9           other person authorized to prescribe under State  
10          law), such a drug shall be regarded as a covered out-  
11          patient drug for purposes of the State’s participation  
12          in the agreement.

13           “(8) REBATE PERIOD.—The term ‘rebate pe-  
14          riod’ means, with respect to an agreement under  
15          subsection (a), a calendar quarter or other period  
16          specified by the Secretary with respect to the pay-  
17          ment of rebates under such agreement.”.

18 **SEC. 16002. TERMINATION OF CURRENT PROGRAM AND**  
19 **TRANSITION.**

20           (a) **TERMINATION OF CURRENT PROGRAM; LIMITA-**  
21 **TION ON MEDICAID PAYMENTS IN FISCAL YEAR 1996.—**  
22 **Title XIX of the Social Security Act is amended—**

23           (1) by redesignating section 1931 as section  
24          1932; and

1           (2) by inserting after section 1930 the following  
2           new section:

3           “TERMINATION OF MEDICAID PROGRAM; LIMITATION ON  
4                                   NEW OBLIGATION AUTHORITY

5           “SEC. 1931. (a) ELIMINATION OF INDIVIDUAL ENTI-  
6           TLEMENT.—Effective on the date of the enactment of this  
7           section—

8                           “(1) except as provided in subsection (b), the  
9           Federal Government has no obligation to provide  
10          payment with respect to items and services provided  
11          under this title, and

12                           “(2) this title shall not be construed as provid-  
13          ing for an entitlement, under Federal law in relation  
14          to the Federal Government, in an individual or per-  
15          son (including any provider) at the time of provision  
16          or receipt of services.

17          “(b) LIMITATION ON OBLIGATION AUTHORITY.—  
18          Notwithstanding any other provision of this title—

19                           “(1) POST-ENACTMENT, PRE-MEDIGRANT.—  
20          Subject to paragraph (2), the Secretary is author-  
21          ized to enter into obligations with any State under  
22          this title for expenses incurred after the date of the  
23          enactment of this Act and during fiscal year 1996,  
24          but not in excess of the obligation allotment for that  
25          State for fiscal year 1996 under section 2121(b)(4).

1           “(2) NONE AFTER MEDIGRANT.—The Secretary  
2 is not authorized to enter into any obligation with  
3 any State under this title for expenses incurred on  
4 or after the earlier of—

5                   “(A) October 1, 1996; or

6                   “(B) the first day of the first quarter on  
7 which the State plan under title XXI is first ef-  
8 fective.

9           “(3) AGREEMENT.—A State’s submission of  
10 claims for payment under section 1903 after the  
11 date of the enactment of this title with respect to  
12 which the limitation described in paragraph (1) ap-  
13 plies is deemed to constitute the State’s acceptance  
14 of the obligation limitation under such paragraph  
15 (including the formula for computing the amount of  
16 such obligation limitation).

17           “(c) REQUIREMENT FOR TIMELY SUBMITTAL OF  
18 CLAIMS.—No payment shall be made to a State under this  
19 title with respect to an obligation incurred before the date  
20 of the enactment of this section, unless the State has sub-  
21 mitted to the Secretary, by not later than June 30, 1996,  
22 a claim for Federal financial participation for expenses  
23 paid by the State with respect to such obligations. Nothing  
24 in subsection (a) or (b) shall be construed as affecting the

1 obligation of the Federal Government to pay claims de-  
2 scribed in the previous sentence.”.

3 (b) MEDICAID TRANSITION.—

4 (1) TREATMENT OF CERTAIN CAUSES OF AC-  
5 TION.—No cause of action under title XIX of the  
6 Social Security Act which seeks to require a State  
7 to establish or maintain minimum payment rates  
8 under such title and which has not become final as  
9 of the date of the enactment of this Act shall be  
10 brought or continued.

11 (2) TREATMENT OF CERTAIN DISALLOW-  
12 ANCES.—Notwithstanding any provision of law, in  
13 the case where payment has been made under sec-  
14 tion 1903(a) of the Social Security Act to a State  
15 before October 1, 1995, and for which a disallow-  
16 ance has not been taken as of such date (or, if so  
17 taken, has not been completed by such date), the  
18 Secretary of Health and Human Services shall dis-  
19 continue the disallowance proceeding and, if such  
20 disallowance has been taken as of the date of the en-  
21 actment of this Act, any payment reductions effected  
22 shall be rescinded and the payments returned to the  
23 State.

24 (3) EXTENSION OF MORATORIUM.—Section  
25 6408(a)(3) of the Omnibus Budget Reconciliation

1 Act of 1989, as amended by section 13642 of the  
2 Omnibus Budget Reconciliation Act of 1993, is  
3 amended by striking “December 31, 1995” and in-  
4 serting “the first day of the first quarter on which  
5 the MediGrant plan for the State of Michigan is  
6 first effective under title XXI of such Act”.

7 (c) NO APPLICATION OF PRIOR MEDICAID JUDG-  
8 MENTS TO MEDIGRANT PROGRAM.—No judicial or admin-  
9 istrative decision rendered regarding requirements im-  
10 posed under title XIX of the Social Security Act with re-  
11 spect to a State shall have any application to the  
12 MediGrant plan of the State title XXI of such Act. A  
13 State may, pursuant to the previous sentence, seek the  
14 abrogation or modification of any such decision after the  
15 date of termination of the State plan under title XIX of  
16 such Act.

17 (d) TERMINATION OF PROGRAM FOR DISTRIBUTION  
18 OF PEDIATRIC VACCINES

19 (1) IN GENERAL.—Subject to paragraph (2),  
20 section 1928 of the Social Security Act (42 U.S.C.  
21 1396s) is repealed, effective on the date of the en-  
22 actment of this Act.

23 (2) TRANSITION.—(A) Such repeal shall not af-  
24 fect the distribution of vaccines purchased and deliv-



1       ered to the States before the date of the enactment  
2       of this Act.

3           (B) No vaccine may be purchased after such  
4       date by the Federal Government or any State under  
5       any contract under section 1928(d) of the Social Se-  
6       curity Act.

7       (e) ANTI-FRAUD PROVISIONS.—

8           (1) IN GENERAL.—Section 1128(h)(1) of the  
9       Social Security Act (42 U.S.C. 1320a-7(h)(1)) is  
10      amended by inserting “or a MediGrant plan under  
11      title XXI” after “title XIX”.

12          (2) CONTINUED ROLE OF INSPECTOR GEN-  
13      ERAL.—The Inspector General in the Department of  
14      Health and Human Services shall have the same re-  
15      sponsibilities and duties in relation to fraud and  
16      abuse and related matters under the MediGrant pro-  
17      gram under title XXI of the Social Security Act as  
18      such Inspector General has had in relation to the  
19      medicaid program under title XIX of such Act be-  
20      fore the date of the enactment of this Act.

21          (f) FINAL EXTENSION OF MEDICAID WAIVER FOR  
22      DAYTON AREA HEALTH PLAN.—Section 2 of Public Law  
23      102-276, as amended by section 13644 of the Omnibus  
24      Budget Reconciliation Act of 1993, is amended by striking  
25      “December 31, 1995” and inserting “the last day of the

1 last calendar quarter in which a State medicaid plan is  
 2 in effect in Ohio under title XIX of the Social Security  
 3 Act”.

4 **TITLE XVII—ABOLISHMENT OF**  
 5 **DEPARTMENT OF COMMERCE**

6 **SEC. 17001. SHORT TITLE.**

7 This title may be cited as the “Department of Com-  
 8 merce Dismantling Act”.

9 **SEC. 17002. TABLE OF CONTENTS.**

10 The table of contents for this title is as follows:

TITLE XVII—ABOLISHMENT OF DEPARTMENT OF COMMERCE

Sec. 17001. Short title.

Sec. 17002. Table of contents.

Subtitle A—Abolishment of Department of Commerce

Sec. 17101. Abolishment of Department of Commerce.

Sec. 17102. Resolution and termination of Department functions.

Sec. 17103. Responsibilities of the Director of the Office of Management and  
 Budget.

Sec. 17104. Office of Programs Resolution.

Sec. 17105. Personnel.

Sec. 17106. Plans and reports.

Sec. 17107. GAO audit and access to records.

Sec. 17108. Conforming amendments.

Sec. 17109. Privatization framework.

Sec. 17110. Priority placement programs for Federal employees affected by a  
 reduction in force attributable to this title.

Sec. 17111. Funding reductions for transferred functions.

Sec. 17112. Definitions.

Subtitle B—Disposition of Various Programs, Functions, and Agencies of  
 Department of Commerce

Sec. 17201. Abolishment of Economic Development Administration and trans-  
 fer of functions.

Sec. 17202. Technology Administration.

Sec. 17203. Reorganization of the Bureau of the Census.

Sec. 17204. Bureau of Economic Analysis.

Sec. 17205. Terminated functions of NTIA.

Sec. 17206. National Oceanic and Atmospheric Administration.

Sec. 17207. National Institute for Science and Technology.

Sec. 17208. Miscellaneous terminations; moratorium on program activities.

1 **TITLE XVIII—WELFARE REFORM**

2 **SEC. 18001. ENACTMENT OF THE PERSONAL RESPONSIBIL-**  
3 **ITY ACT OF 1995.**

4 H.R. 4, as passed by the House of Representatives  
5 on March 24, 1995, is hereby enacted with the following  
6 amendments:

7 (1) In section 101, insert

8 “(a) IN GENERAL.—” before “Title IV of the Social  
9 Security Act”.

10 (2) At the end of section 101, add the follow-  
11 ing:

12 (b) SUBMISSION OF STATE PLAN FOR FISCAL YEAR  
13 1996 DEEMED ACCEPTANCE OF GRANT LIMITATIONS  
14 AND FORMULA.—The submission of a plan by a State  
15 under section 402(a) of the Social Security Act (as in ef-  
16 fect pursuant to the amendment made by subsection (a)  
17 of this section) for fiscal year 1996 is deemed to constitute  
18 the State’s acceptance of the grant limitations under sec-  
19 tion 403(a)(1)(A)(i) of such Act (as so in effect) for fiscal  
20 year 1996 (including the formula for computing the  
21 amount of the grant).

22 (3) Strike section 403(a)(1)(A) of the Social  
23 Security Act, as proposed to be added by section  
24 101, and insert the following:

1           “(A) IN GENERAL.—Each eligible State  
2 shall be entitled to receive from the Secretary—

3                   “(i) for fiscal year 1996, a grant in  
4 an amount equal to—

5                           “(I) the State family assistance  
6 grant for fiscal year 1996; minus

7                                   “(II) the total amount of obliga-  
8 tions to the State under part A of this  
9 title (as in effect before the effective  
10 date of this part) for fiscal year 1996,  
11 other than with respect to amounts  
12 expended for child care pursuant to  
13 subsection (g) or (i) of section 402 of  
14 this title (as so in effect); and

15                           “(ii) for each of fiscal years 1997,  
16 1998, 1999, and 2000, a grant in an  
17 amount equal to the State family assist-  
18 ance grant for the fiscal year.

19           (4) In section 201, insert

20                   “(a) IN GENERAL.—” before “Part B of title IV of  
21 the Social Security Act”.

22           (5) At the end of section 201, add the follow-  
23 ing:

24           (b) SUBMISSION OF STATE PLAN FOR FISCAL YEAR  
25 1996 DEEMED ACCEPTANCE OF GRANT LIMITATIONS

1 AND FORMULA.—The submission of a plan by a State  
2 under section 422(a) of the Social Security Act (as in ef-  
3 fect pursuant to the amendment made by subsection (a)  
4 of this section) for fiscal year 1996 is deemed to constitute  
5 the State's acceptance of the grant limitations under sec-  
6 tion 423(a)(1)(A) of such Act (as so in effect) for fiscal  
7 year 1996 (including the formula for computing the  
8 amount of the grant).

9 (6) Strike section 423(a)(1) of the Social Secu-  
10 rity Act, as proposed to be added by section 201,  
11 and insert the following:

12 “(1) IN GENERAL.—Each eligible State shall be  
13 entitled to receive from the Secretary—

14 “(A) for fiscal year 1996, a grant in an  
15 amount equal to—

16 “(i) the State share of the child pro-  
17 tection amount for fiscal year 1996; minus

18 “(ii) the total amount of obligations to  
19 the State under parts B and E of this title  
20 (as in effect before the effective date of  
21 this part) for fiscal year 1996; and

22 “(B) for each subsequent fiscal year speci-  
23 fied in subsection (b)(1), a grant in an amount  
24 equal to the State share of the child protection  
25 amount for the fiscal year.

1           (7) Strike section 301(b) and insert the follow-  
2           ing:

3           (b) **AUTHORIZATION OF APPROPRIATIONS.**—Section  
4 658B of the Child Care and Development Block Grant Act  
5 of 1990 (42 U.S.C. 9858B) is amended to read as follows:

6 **“SEC. 658B. AUTHORIZATION OF APPROPRIATIONS.**

7           “There are authorized to be appropriated to carry out  
8 this subchapter \$1,804,000,000 for fiscal year 1996 and  
9 \$2,093,000,000 for each of the fiscal years 1997, 1998,  
10 1999, 2000, 2001, and 2002.”.

11           (8) In the matter preceding paragraph (1) of  
12 section 3 of the Child Nutrition Act of 1966, as pro-  
13 posed to be amended by section 321, strike “The  
14 Secretary” and insert “(a) **IN GENERAL.**—The Sec-  
15 retary”.

16           (9) At the end of section 3 of the Child Nutri-  
17 tion Act of 1966, as proposed to be amended by sec-  
18 tion 321, add the following:

19           “(b) **ADDITIONAL REQUIREMENTS.**—

20           “(1) **RESTRICTION ON ALLOTMENTS.**—

21           “(A) **COMPUTATION.**—The Secretary shall  
22 provide for the computation of State obligation  
23 allotments in accordance with this section for  
24 each of the fiscal years 1996 through 2000.

1           “(B) LIMITATION ON OBLIGATIONS.—The  
2           Secretary shall not enter into obligations with  
3           any State under this Act for a fiscal year in ex-  
4           cess of the obligation allotment for that State  
5           for the fiscal year, as determined under sub-  
6           section (a). The sum of such obligation allot-  
7           ments for all States in any fiscal year shall not  
8           exceed the amount appropriated to carry out  
9           this Act for that fiscal year.

10           “(2) AGREEMENT.—The submission of an ap-  
11           plication by a State under section 4 is deemed to  
12           constitute the State’s acceptance of the obligation al-  
13           lotment limitations under this section (including the  
14           formula for computing the amount of such obligation  
15           allotment).

16           (10) In the matter preceding paragraph (1) of  
17           section 3 of the National School Lunch Act, as pro-  
18           posed to be amended by section 341, strike “The  
19           Secretary” and insert “(a) IN GENERAL.—The Sec-  
20           retary”.

21           (11) At the end of section 3 of the National  
22           School Lunch Act, as proposed to be amended by  
23           section 341, add the following:

24           “(b) ADDITIONAL REQUIREMENTS.—

25           “(1) RESTRICTION ON ALLOTMENTS.—

1           “(A) COMPUTATION.—The Secretary shall  
2 provide for the computation of State obligation  
3 allotments in accordance with this section for  
4 each of the fiscal years 1996 through 2000.

5           “(B) LIMITATION ON OBLIGATIONS.—

6           “(i) IN GENERAL.—Subject to clause  
7 (ii), the Secretary shall not enter into obli-  
8 gations with any State under this Act for  
9 a fiscal year in excess of the obligation al-  
10 lotment for that State for the fiscal year,  
11 as determined under subsection (a). The  
12 sum of such obligation allotments for all  
13 States in any fiscal year shall not exceed  
14 the school-based nutrition amount for that  
15 fiscal year.

16           “(ii) REDUCTION FOR POST-ENACT-  
17 MENT NEW OBLIGATIONS IN FISCAL YEAR  
18 1996.—

19           “(I) IN GENERAL.—The amount  
20 of the obligation allotment otherwise  
21 provided under this section for fiscal  
22 year 1996 for a State under this Act  
23 (as in effect on and after the date of  
24 the enactment of the Personal Re-  
25 sponsibility Act of 1995) shall be re-



1           duced by the amount of the obliga-  
2           tions described in subclause (II) that  
3           are entered into under this Act or  
4           under the Child Nutrition Act of 1966  
5           on or after October 1, 1995, but prior  
6           to the date of the enactment of the  
7           Personal Responsibility Act of 1995.

8           “(II) AMOUNT OF OBLIGATIONS  
9           DESCRIBED.—(aa) Except as provided  
10          in division (bb), the amount of the ob-  
11          ligations described in this subclause  
12          are 100 percent of the amount of the  
13          obligations entered into under this Act  
14          and under the Child Nutrition Act of  
15          1966 (except obligations entered into  
16          under section 17 of such Act).

17          “(bb) For purposes of obligations  
18          entered into under the summer food  
19          service program for children under  
20          section 13 of this Act, the child and  
21          adult care food program under section  
22          17 of this Act, and the special milk  
23          program under section 3 of the Child  
24          Nutrition Act of 1966, the amount of  
25          the obligations described in this

1                   subclause are 12.5 percent of the  
2                   amount the obligations entered into  
3                   under each such program.

4                   “(2) AGREEMENT.—The submission of an ap-  
5                   plication by a State under section 4 is deemed to  
6                   constitute the State’s acceptance of the obligation al-  
7                   lotment limitations under this section (including the  
8                   formula for computing the amount of such obligation  
9                   allotment).

10                   “(3) TERMINATION OF PROGRAMS; LIMITATION  
11                   ON NEW OBLIGATION AUTHORITY.—

12                   “(A) ELIMINATION OF INDIVIDUAL ENTI-  
13                   TLEMENT.—Effective on the date of the enact-  
14                   ment of the Personal Responsibility Act of  
15                   1995—

16                   “(i) except as provided in subpara-  
17                   graph (B), the Federal Government has no  
18                   obligation to provide payment with respect  
19                   to items and services provided under this  
20                   Act (as in effect on and after the date of  
21                   the enactment of the Personal Responsibil-  
22                   ity Act of 1995); and

23                   “(ii) this Act (as in effect on and  
24                   after the date of the enactment of the Per-  
25                   sonal Responsibility Act of 1995) shall not

1           be construed as providing for an entitle-  
2           ment, under Federal law in relation to the  
3           Federal Government, in an individual or  
4           person at the time of provision or receipt  
5           of services.

6           “(B) LIMITATION ON OBLIGATION AU-  
7           THORITY.—Notwithstanding any other provision  
8           of this Act, the Secretary is authorized to enter  
9           into obligations with any State under this Act  
10          for expenses incurred after the date of the en-  
11          actment of the Personal Responsibility Act and  
12          during fiscal year 1996, but not in excess of the  
13          obligation allotment for that State for fiscal  
14          year 1996, as determined under subsection (a).

15           **TITLE XIX—CONTRACT WITH**  
16           **AMERICA-TAX RELIEF**

17   **SEC. 19001. ENACTMENT OF CONTRACT WITH AMERICA TAX**  
18           **RELIEF ACT OF 1995.**

19           (a) IN GENERAL.—Title VI of H.R. 1215 of the  
20   104th Congress, as passed by the House of Representa-  
21   tives, is hereby enacted with the following modifications  
22   to such title:

23           (1) Strike subtitle E (relating to social security  
24           earnings test) and redesignate subtitles F and G as  
25           subtitles E and F, respectively.

1           (2) Strike subsections (c)(2) and (d)(2) of sec-  
2           tion 6201.

3           (3) Strike the amendment contained in para-  
4           graph (2) of section 6301(d) and insert the follow-  
5           ing: “Subsection (h) of section 1 is amended by add-  
6           ing at the end the following new sentence: ‘For pur-  
7           poses of this subsection, taxable income shall be  
8           computed without regard to the deduction allowed  
9           by section 1202.’”

10          (4) Strike section 6321 (relating to depreciation  
11          adjustment for certain property placed in service  
12          after December 31, 1994).

13          (5) Strike part III of subtitle C (relating to al-  
14          ternative minimum tax relief).

15          (6) Strike subtitle F (as redesignated by para-  
16          graph (1)) and insert the following:

17                   **“Subtitle F—Tax Reduction**  
18                   **Contingent on Deficit Reduction**

19           **“SEC. 6701. TAX REDUCTION CONTINGENT ON DEFICIT RE-**  
20                   **DUCTION.**

21           “‘This title, which is contained within the Act that—

22                   “(1) carries out the concurrent resolution on  
23           the budget for fiscal year 1996 that provides that  
24           the budget of the United States will be in balance  
25           by fiscal year 2002; and

1           “(2) achieves a level of deficit reduction pursu-  
2           ant to the reconciliation instructions of that concur-  
3           rent resolution that will result in a budget of the  
4           United States that will be in balance by fiscal year  
5           2002; and

6           “(B) is certified pursuant to the requirements  
7           set forth in section 210 of that concurrent resolu-  
8           tion,

9 shall take effect as so provided by its effective date provi-  
10 sions.

11 **“SEC. 6702. MONITORING.**

12           “The Committees on the Budget of the House of  
13 Representatives and the Senate shall each monitor  
14 progress on achieving a balanced budget consistent with  
15 the most recently agreed to concurrent resolution on the  
16 budget for fiscal year 1996 or any subsequent fiscal year  
17 (and the reconciliation Act for that resolution) or the most  
18 recently agreed to concurrent resolution on the budget  
19 that would achieve a balanced budget by fiscal year 2002  
20 (and the reconciliation Act for that resolution). After con-  
21 sultation with the Director of the Congressional Budget  
22 Office, each such committee shall submit a report of its  
23 findings to its House and the President on or before De-  
24 cember 15, 1995, and annually thereafter. Each such re-  
25 port shall contain the following:

1           “(1) Estimates of the deficit levels (based on  
2           legislation enacted through the date of the report)  
3           for each fiscal year through fiscal year 2002.

4           “(2) An analysis of the variance (if any) be-  
5           tween those estimated deficit levels and the levels set  
6           forth in the concurrent resolution on the budget for  
7           fiscal year 1996 or the most recently agreed to con-  
8           current resolution on the budget that would achieve  
9           a balanced budget by fiscal year 2002.

10           “(3) Policy options to achieve the additional  
11           levels of deficit reduction necessary to balance the  
12           budget of the United States by fiscal year 2002.

13 **“SEC. 6703. CONGRESSIONAL ACTION.**

14           “Each House of Congress shall incorporate the policy  
15           options included in the report of its Committee on the  
16           Budget under section 6702(a)(3) (or other policy options)  
17           in developing a concurrent resolution on the budget for  
18           any fiscal year that achieves the additional levels of deficit  
19           reduction necessary to balance the budget of the United  
20           States by fiscal year 2002.

21 **“SEC. 6704. PRESIDENTIAL ACTION.**

22           “If the President submits a budget under section  
23           1105(a) of title 31, United States Code, that does not pro-  
24           vide for a balanced budget for the United States by fiscal  
25           year 2002, then the President shall include with that sub-

1 mission a complete budget that balances the budget by  
2 that fiscal year.”

3 (7) Conform the table of contents accordingly.

4 (b) TECHNICAL CORRECTION.—Effective with re-  
5 spect to taxable years ending after December 31, 1994,  
6 paragraph (1) of section 1201(b) of the Internal Revenue  
7 Code of 1986, as added by such title VI, is amended to  
8 read as follows:

9 “(1) IN GENERAL.—In the case of any taxable  
10 year ending after December 31, 1994, and beginning  
11 before January 1, 1996, in applying subsection (a),  
12 net capital gain for such taxable year shall not ex-  
13 ceed such net capital gain determined by taking into  
14 account only gain or loss properly taken into account  
15 for the portion of the taxable year after December  
16 31, 1994.”

17 **SEC. 19002. COMPLIANCE WITH CONCURRENT RESOLUTION**  
18 **ON THE BUDGET.**

19 (a) IN GENERAL.—For purposes of the Internal Rev-  
20 enue Code of 1986, the taxpayer’s net modified chapter  
21 1 liability for any taxable year shall be such liability deter-  
22 mined without regard to this section—

23 (1) increased by 27 percent of the excess (if  
24 any) of—

1 (A) the amount which would be the tax-  
2 payer's net modified chapter 1 liability for such  
3 year if such liability were determined without  
4 regard to the amendments made by subtitles A,  
5 B, C, and D of title VI of H.R. 1215 of the  
6 104th Congress, as passed by the House of  
7 Representatives, over

8 (B) the taxpayer's net modified chapter 1  
9 liability for such year determined without re-  
10 gard to this section, or

11 (2) reduced by 27 percent of the excess (if any)  
12 of the amount described in paragraph (1)(B) over  
13 the liability described in paragraph (1)(A).

14 (b) NET MODIFIED CHAPTER 1 LIABILITY.—For  
15 purposes of subsection (a), the term “net modified chapter  
16 1 liability” means the liability for tax under chapter 1 of  
17 the Internal Revenue Code of 1986 determined—

18 (1) without regard to sections 1201 and 1202  
19 of such Code, as amended by such title VI,

20 (2) without regard to the amendments made by  
21 sections 6103 and 6104 of such title VI,

22 (3) after the application of any credit against  
23 such tax other than the credits under sections 31,  
24 33, and 34 of such Code, and



1           (4) before crediting any payment of estimated  
2 tax for the taxable year.

3           (c) CAPITAL GAINS.—

4           (1) CAPITAL GAINS DEDUCTION FOR TAX-  
5 PAYERS OTHER THAN CORPORATIONS.—For pur-  
6 poses of applying section 1202 of the Internal Reve-  
7 nue Code of 1986, as added by such title VI—

8           (A) in the case of taxable years ending be-  
9 fore January 1, 1996, “42.5 percent” shall be  
10 substituted for “50 percent” in subsection (a)  
11 thereof, and

12           (B) in the case of taxable years ending  
13 after December 31, 1995, “34.5 percent” shall  
14 be substituted for “50 percent” in subsection  
15 (a) thereof.

16           (2) ALTERNATIVE CAPITAL GAINS TAX FOR  
17 CORPORATIONS.—

18           (A) For purposes of applying section 1201  
19 of such Code, as amended by such title VI—

20           (i) in the case of taxable years ending  
21 before January 1, 1996, “26.5 percent”  
22 shall be substituted for “25 percent” in  
23 subsection (a)(2) thereof, and

24           (ii) in the case of taxable years ending  
25 after December 31, 1995, “31.9 percent”

1 shall be substituted for “25 percent” in  
2 subsection (a)(2) thereof.

3 (B) For purposes of applying section  
4 852(b)(3)(D)(iii) of such Code, as amended by  
5 such title VI—

6 (i) in the case of taxable years ending  
7 before January 1, 1996, “73.5 percent”  
8 shall be substituted for “75 percent” in  
9 subsection (a)(2) thereof, and

10 (ii) in the case of taxable years ending  
11 after December 31, 1995, “68.1 percent”  
12 shall be substituted for “75 percent” in  
13 subsection (a)(2) thereof.

14 (3) INDEXING.—For purposes of applying sec-  
15 tion 1022 of such Code, as added by such title VI,  
16 only 69 percent of the applicable inflation adjust-  
17 ment under subsection (c)(2) of such section 1022  
18 shall be taken into account.

19 (4) CONFORMING CHANGES.—Proper adjust-  
20 ments shall be made to the percentages and frac-  
21 tions in the following provisions to reflect the per-  
22 centages in paragraphs (1) and (2):

23 (A) Sections 170(e), 1445(e), and  
24 7518(g)(6)(A) of such Code.

1 (B) Section 607(h)(6)(A) of the Merchant  
2 Marine Act, 1936.

3 (d) AMERICAN DREAM SAVINGS ACCOUNTS.—For  
4 purposes of applying section 408A of such Code, as added  
5 by such title VI—

6 (1) only 69 percent of the income on the assets  
7 held in an American Dream Savings Account (which  
8 would otherwise be includible in gross income) shall  
9 be excludible from gross income,

10 (2) only 69 percent of any distribution attrib-  
11 utable to amounts not previously included in gross  
12 income shall be entitled to the treatment described  
13 in subsection (d)(1) of such section 408A, and

14 (3) only 69 percent of any payment or distribu-  
15 tion referred to in subsection (d)(3)(B) of such sec-  
16 tion 408A shall be entitled to the treatment de-  
17 scribed in such subsection.

18 (e) SPOUSAL INDIVIDUAL RETIREMENT AC-  
19 COUNTS.—For purposes of applying sections 219 and 408  
20 of such Code—

21 (1) only 69 percent of the contributions to an  
22 individual retirement plan which are allowable as a  
23 deduction solely by reason of the amendments made  
24 by section 6104 of such title VI shall be allowed as  
25 a deduction, and

1           (2) only 69 percent of the income on the assets  
2 held in an individual retirement plan which are at-  
3 tributable to contributions permitted solely by reason  
4 of the amendments made by section 6104 of such  
5 title VI (which would otherwise be includible in gross  
6 income) shall be excludible from gross income.

7 (f) ALTERNATIVE MINIMUM TAX.—

8           (1) IN GENERAL.—In the case of taxable years  
9 beginning after December 31, 1994—

10           (A) in the case of a taxpayer other than a  
11 corporation, the tax imposed by section 55 of  
12 such Code shall be determined without regard  
13 to paragraph (1) of section 56(a) of such Code,  
14 and

15           (B) in the case of a corporation, the ten-  
16 tative minimum tax under section 55 of such  
17 Code shall be zero.

18           (2) DELAY IN BENEFIT OF REPEAL FOR TAX-  
19 ABLE YEARS 1995 AND 1996.—

20           (A) IN GENERAL.—Paragraph (1) shall not  
21 apply to any taxable year beginning before Jan-  
22 uary 1, 1997, but there shall be allowed as a  
23 credit against the tax imposed by subtitle A of  
24 such Code for each taxable year referred to in

1           subparagraph (C) an amount equal to the credit  
2           determined under subparagraph (B).

3           (B) AMOUNT OF CREDIT.—The credit de-  
4           termined under this subparagraph for any tax-  
5           able year to which this paragraph applies is an  
6           amount equal to  $\frac{1}{3}$  of the excess (if any) of—

7                   (i) the aggregate tax paid under sec-  
8                   tion 55 of such Code for taxable years be-  
9                   ginning after December 31, 1994, and be-  
10                  fore January 1, 1997, over

11                  (ii) the amount of tax which would  
12                  have been imposed by such section 55 for  
13                  such taxable years had paragraph (1) ap-  
14                  plied to such taxable years.

15           (C) YEARS CREDIT ALLOWED.—The tax-  
16           able years referred to in this subparagraph are  
17           the first 3 taxable years of the taxpayer begin-  
18           ning after December 31, 1996.

19           (D) COORDINATION WITH OTHER PROVI-  
20           SIONS.—For purposes of the Internal Revenue  
21           Code of 1986, the credit allowed under para-  
22           graph (1) shall be treated as a credit allowed  
23           under subpart C of part IV of subchapter A of  
24           chapter 1 of such Code and as referred to in  
25           paragraph (2) of 1324(b) of title 31, United

1 States Code, immediately before the period at  
2 the end thereof.

3 (g) COMPARABLE TREATMENT FOR ESTATE AND  
4 GIFT TAX CHANGES.—A rule similar to the rule of sub-  
5 section (a) shall apply to any reduction in liability for tax  
6 under subtitle B of such Code by reason of the amend-  
7 ments made by section 6351 of such title VI.

8 **TITLE XX—BUDGET**  
9 **ENFORCEMENT**

10 **SEC. 20001. SHORT TITLE; PURPOSE.**

11 (a) SHORT TITLE.—This title may be cited as the  
12 “Seven-Year Balanced Budget Enforcement Act of 1995”.

13 (b) PURPOSE.—This title extends and reduces the  
14 discretionary spending limits and extends the pay-as-you-  
15 go requirements.

16 **SEC. 20002. DISCRETIONARY SPENDING LIMITS.**

17 (a) LIMITS.—Section 601(a)(2) of the Congressional  
18 Budget Act of 1974 is amended by striking subparagraphs  
19 (A), (B), (C), (D), and (F), by redesignating subpara-  
20 graph (E) as subparagraph (A) and by striking “and” at  
21 the end of that subparagraph, and by inserting after sub-  
22 paragraph (A) the following new subparagraphs:

23 “(B) with respect to fiscal year 1996, for  
24 the discretionary category: \$485,074,000,000 in

1 new budget authority and \$531,768,000,000 in  
2 outlays;

3 “(C) with respect to fiscal year 1997, for  
4 the discretionary category: \$481,423,000,000 in  
5 new budget authority and \$519,288,000,000 in  
6 outlays;

7 “(D) with respect to fiscal year 1998, for  
8 the discretionary category: \$489,233,000,000 in  
9 new budget authority and \$511,173,000,000 in  
10 outlays;

11 “(E) with respect to fiscal year 1999, for  
12 the discretionary category: \$480,420,000,000 in  
13 new budget authority and \$508,695,000,000 in  
14 outlays;

15 “(F) with respect to fiscal year 2000, for  
16 the discretionary category: \$487,347,000,000 in  
17 new budget authority and \$512,202,000,000 in  
18 outlays;

19 “(G) with respect to fiscal year 2001, for  
20 the discretionary category: \$494,307,000,000 in  
21 new budget authority and \$514,109,000,000 in  
22 outlays; and

23 “(H) with respect to fiscal year 2002, for  
24 the discretionary category: \$496,188,000,000 in

1 new budget authority and \$512,426,000,000 in  
2 outlays;”.

3 (b) COMMITTEE ALLOCATIONS AND ENFORCE-  
4 MENT.—Section 602 of the Congressional Budget Act of  
5 1974 is amended—

6 (1) in subsection (c), by striking “1995” and  
7 inserting “2002” and by striking the last sentence;  
8 and

9 (2) in subsection (d), by striking “1992 TO  
10 1995” in the side heading and inserting “1996 TO  
11 2002” and by striking “1992 through 1995” and in-  
12 serting “1996 through 2002”.

13 (c) TERM OF BUDGET RESOLUTIONS.—Section 606  
14 of the Congressional Budget Act of 1974 is amended—

15 (1) in its section heading by striking “**5-year**”  
16 and inserting “**term of**”;

17 (2) in the sideheading of subsection (a), by  
18 striking “5-YEAR” and inserting “TERM OF”;

19 (3) in subsection (a), by striking “1992, 1993,  
20 1994, or 1995” and inserting “1996 or any fiscal  
21 year thereafter through 2002” and by inserting “at  
22 least” before “each”; and

23 (4) in subsection (d)(1), by striking “1992,  
24 1993, 1994, and 1995” and inserting “1996 or any



1 fiscal year thereafter through 2002”, and by striking  
 2 “(i) and (ii)”.

3 (d) EFFECTIVE DATE.—Section 607 of the Congres-  
 4 sional Budget Act of 1974 is amended by striking “1991  
 5 to 1998” and inserting “1996 to 2002”.

6 (e) SEQUESTRATION REGARDING VIOLENT CRIME  
 7 REDUCTION TRUST FUND.—(1) Section 251A(b)(1) of  
 8 the Balanced Budget and Emergency Deficit Control Act  
 9 of 1985 is amended by striking subparagraphs (B), (C),  
 10 and (D) and its last sentence and inserting the following:

11 “(B) For fiscal year 1996,  
 12 \$2,227,000,000.

13 “(C) For fiscal year 1997, \$3,846,000,000.

14 “(D) For fiscal year 1998,  
 15 \$4,901,000,000.

16 “(E) For fiscal year 1999,  
 17 \$5,639,000,000.

18 “(F) For fiscal year 2000,  
 19 \$6,225,000,000.”.

20 (2) Section 310002 of the Violent Crime Control and  
 21 Law Enforcement Act of 1994 (42 U.S.C. 14212) is re-  
 22 pealed.

23 (f) CONFORMING AMENDMENT.—The item relating  
 24 to section 606 in the table of contents set forth in section  
 25 1(b) of the Congressional Budget and Impoundment Con-

1 trol Act of 1974 is amended by striking “5-year” and in-  
2 serting “Term of”.

3 **SEC. 20003. GENERAL STATEMENT AND DEFINITIONS.**

4 (a) **GENERAL STATEMENT.**—Section 250(b) of the  
5 Balanced Budget and Emergency Deficit Control Act of  
6 1985 is amended by striking the first two sentences and  
7 inserting the following: “This part provides for the en-  
8 forcement of deficit reduction by reducing and extending  
9 the discretionary spending limits through fiscal year 2002  
10 and permanently extending pay-as-you-go requirements.”.

11 (b) **DEFINITIONS.**—Section 250(c) of the Balanced  
12 Budget and Emergency Deficit Control Act of 1985 is  
13 amended—

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

16 “(4) The term ‘category’ means:

17 “(A) For fiscal years 1996 through 2000,  
18 all discretionary appropriations except those  
19 subject to section 251A; and

20 “(B) For fiscal year 2001 and any subse-  
21 quent fiscal year, all discretionary appropria-  
22 tions.”;

23 (2) by striking paragraph (6) and inserting the  
24 following:

1           “(6) The term ‘budgetary resources’ means new  
2 budget authority, unobligated balances, direct spend-  
3 ing authority, and obligation limitations.”;

4           (3) in paragraph (9), by striking “1992” and  
5 inserting “1996”; and

6           (4) in paragraph (14), by striking “through fis-  
7 cal year 1995”.

8 **SEC. 20004. ENFORCING DISCRETIONARY SPENDING LIM-**  
9 **ITS.**

10       Section 251 of the Balanced Budget and Emergency  
11 Deficit Control Act of 1985 is amended—

12           (1) in the side heading of subsection (a), by  
13 striking “1991–1998” and inserting “1996–2002”;

14           (2) in the first sentence of subsection (b)(1), by  
15 striking “1992, 1993, 1994, 1995, 1996, 1997 or  
16 1998” and inserting “1997 or any fiscal year there-  
17 after through 2002” and by striking “through  
18 1998” and inserting “through 2002”;

19           (3) in subsection (b)(1), by striking “the follow-  
20 ing:” and all that follows through “The adjust-  
21 ments” and inserting “the following: the adjust-  
22 ments” and by striking subparagraphs (B) and (C);

23           (4) in subsection (b)(2), by striking “1991,  
24 1992, 1993, 1994, 1995, 1996, 1997, or 1998” and  
25 inserting “1996 or any fiscal year thereafter through

1 2002” and by striking “through 1998” and insert-  
2 ing “through 2002”;

3 (5) in subsection (b)(2)(E), by striking clauses  
4 (i), (ii), and (iii) and by striking “(iv) if, for fiscal  
5 years 1994, 1995, 1996, 1997, and 1998” and in-  
6 sserting “If, for fiscal years 1996 through 2002”;  
7 and

8 (6) in subsection (b)(2)(F), by striking every-  
9 thing after “the adjustment in outlays” and insert-  
10 ing “for a category for a fiscal year is the amount  
11 of the excess but not to exceed 0.5 percent of the  
12 adjusted discretionary spending limit on outlays for  
13 that fiscal year in fiscal year 1996 or any fiscal year  
14 thereafter through 2002.”.

15 **SEC. 20005. ENFORCING PAY-AS-YOU-GO.**

16 (a) **EXTENSION.**—(1) Section 252 of the Balanced  
17 Budget and Emergency Deficit Control Act of 1985 is  
18 amended—

19 (A) in the side heading of subsection (a), by  
20 striking “FISCAL YEARS 1992–1998”; and

21 (B) in subsection (e), by striking “, for any fis-  
22 cal year from 1991 through 1998,” and by striking  
23 “through 1995”.

24 (b) **ROLLING PAY-AS-YOU-GO SCORECARD.**—Section  
25 252(d) of the Balanced Budget and Emergency Deficit

1 Control Act of 1985 is amended by striking “each fiscal  
2 year through fiscal year 1998” each place it appears and  
3 inserting “the current year (if applicable), the budget  
4 year, and each of the first 4 outyears”.

5 **SEC. 20006. REPORTS AND ORDERS.**

6 Section 254 of the Balanced Budget and Emergency  
7 Deficit Control Act of 1985 is amended—

8 (1) in subsection (d)(2), by striking  
9 “1998” and inserting “2002”; and

10 (2)(A) in subsection (g)(2)(A), by striking  
11 “1998” and inserting “2002”; and

12 (B) in subsection (g)(3), by striking “in each  
13 outyear through 1998” and inserting “in each of the  
14 4 ensuing outyears”.

15 **SEC. 20007. TECHNICAL CORRECTION.**

16 Section 258 of the Balanced Budget and Emergency  
17 Deficit Control Act of 1985, entitled “Modification of  
18 Presidential Order”, is repealed.

19 **SEC. 20008. SPECIAL RULE ON INTERRELATIONSHIP BE-**  
20 **TWEEN CHANGES IN DISCRETIONARY SPEND-**  
21 **ING LIMITS AND PAY-AS-YOU-GO REQUIRE-**  
22 **MENTS.**

23 (a)(1) Section 252 of the Balanced Budget and  
24 Emergency Deficit Control Act of 1985 is amended by  
25 adding at the end the following new subsection:

1       “(f) SPECIAL RULE ON INTERRELATIONSHIP BE-  
2 TWEEN SECTIONS 251, 251A, and 252.—Whenever legis-  
3 lation is enacted during the 104th Congress that decreases  
4 the discretionary spending limits for budget authority and  
5 outlays for a fiscal year under section 601(a)(2) of the  
6 Congressional Budget Act of 1974 or in section 251A(b)  
7 of the Balanced Budget and Emergency Deficit Control  
8 Act of 1985, or both, then, for purposes of subsection (b),  
9 an amount equal to that decrease in the discretionary  
10 spending limit for outlays shall be treated as direct spend-  
11 ing legislation decreasing the deficit for that fiscal year.”.

12       (2) Section 310(a) of the Congressional Budget Act  
13 of 1974 is amended by striking “or” at the end of para-  
14 graph (3), by redesignating paragraph (4) as paragraph  
15 (5) and by striking “and (3)” in such redesignated para-  
16 graph (5) and inserting “(3), and (4)”, and by inserting  
17 after paragraph (3) the following new paragraph:

18               “(4) carry out section 252(f) of the Balanced  
19 Budget and Emergency Deficit Control Act of 1985;  
20 or”.

21       (b) For purposes of section 252(f) of the Balanced  
22 Budget and Emergency Deficit Control Act of 1985 (as  
23 amended by subsection (a)(1))—

24               (1) reductions in the discretionary spending  
25 limit for outlays under section 601(a)(2) of the Con-

1       gressional Budget Act of 1974 for each of fiscal  
2       years 1999 through 2002 under section 20002 shall  
3       be measured as reductions from the discretionary  
4       spending limit for outlays for fiscal year 1998 as in  
5       effect immediately before the enactment of this Act;  
6       and

7               (2) reductions in the discretionary spending  
8       limit for outlays under section 251A(b) of the Bal-  
9       anced Budget and Emergency Deficit Control Act of  
10      1985 for each of fiscal years 1996 through 2000  
11      under section 20002 shall be measured as reductions  
12      in outlays for that fiscal year under section 251A(b)  
13      as in effect immediately before the enactment of this  
14      Act.

15   **SEC. 20009. MEDICARE SAVINGS CANNOT BE USED TO PAY**  
16                                   **FOR TAX CUTS.**

17      Any net savings in direct spending and receipts in  
18      the Medicare program for any fiscal year resulting from  
19      the enactment of this Act or H.R. 2425 (as applicable)  
20      shall not be counted for purposes of section 252 of the  
21      Balanced Budget and Emergency Deficit Control Act of  
22      1985.

1 **SEC. 20010. EFFECTIVE DATE.**

2 (a) EXPIRATION.—Section 275(b) of the Balanced  
3 Budget and Emergency Deficit Control Act of 1985 is  
4 amended—

5 (1) by striking “Part C of this title, section”  
6 and inserting “Sections 251, 253, 258B, and”; and

7 (2) by striking “1995” and inserting “2002”.

8 (b) EXPIRATION.—Section 14002(c)(3) of the Omni-  
9 bus Budget Reconciliation Act of 1993 (2 U.S.C. 900  
10 note) is repealed.

11 **SEC. 20011. APPLICATION OF SECTION 251 ADJUSTMENTS.**

12 Section 251(b)(2) of the Balanced Budget and Emer-  
13 gency Deficit Control Act of 1985 is amended by adding  
14 at the end the following new subparagraph:

15 “(H) SPECIAL ALLOWANCE FOR WELFARE RE-  
16 FORM.—If, for any fiscal year, appropriations are  
17 enacted for accounts specified in clauses (i) and (ii),  
18 the adjustment shall be the sum of:

19 “(i) the excess of the appropriation for the  
20 fiscal year for the Child Care and Development  
21 Block Grant over \$1,082,000,000, but not to  
22 exceed \$722,000,000 in fiscal year 1996 or  
23 \$1,011,000,000 in fiscal year 1997 through  
24 2002; and

25 “(ii) the excess of the appropriation for the  
26 fiscal year for the Family Nutrition Block



1 Grant Program over \$3,470,000,000, but not to  
2 exceed \$692,000,000 in fiscal year 1996,  
3 \$1,307,000,000 in fiscal year 1997,  
4 \$1,466,000,000 in fiscal year 1998,  
5 \$1,650,000,000 in fiscal year 1999,  
6 \$1,838,000,000 in fiscal year 2000,  
7 \$2,075,000,000 in fiscal year 2001, or  
8 \$2,324,000,000 in fiscal year 2002;

9 and the outlays flowing in all years from such excess  
10 appropriations (as reduced pursuant to the limita-  
11 tions in clauses (i) and (ii)).”.

12 **SEC. 20012. SPECIAL RULES APPLICABLE TO DEPARTMENT**  
13 **OF DEFENSE SEQUESTRATION.**

14 Section 255 of the Balanced Budget and Emergency  
15 Deficit Control Act of 1985 is amended by striking sub-  
16 section (h) (relating to optional exemption of military per-  
17 sonnel) and adding at the end the following new sub-  
18 section:

19 “(j) **OPTIONAL EXEMPTION FOR MILITARY PERSON-**  
20 **NEL.—**

21 “(1) **AUTHORITY FOR EXEMPTION.—**The Presi-  
22 dent may, with respect to any military personnel ac-  
23 count, exempt that account from sequestration or  
24 provide for a lower uniform percentage reduction  
25 than would otherwise apply.

1           “(B) The President may not use the au-  
2           thority provided by subparagraph (A) unless he  
3           notifies the Congress of the manner in which  
4           such authority will be exercised on or before the  
5           initial snapshot date for the budget year.

6           “(2) AUTHORITY FOR MILITARY TECHNICIANS  
7           AND MEDICAL PERSONNEL.—

8           “(A) Whenever the President exempts a  
9           military personnel account from sequestration  
10          under paragraph (1) and after all other seques-  
11          trations to Department of Defense account have  
12          been made, the Secretary of Defense may trans-  
13          fer amounts to any appropriation for operation  
14          and maintenance for the current fiscal year  
15          from amounts available under any other appro-  
16          priation to the Department of Defense, but—

17                 “(i) amounts so transferred shall be  
18                 available only for the pay of military tech-  
19                 nicians, the pay of medical personnel, and  
20                 other expenses of medical programs (in-  
21                 cluding CHAMPUS); and

22                 “(ii) the total amount transferred to  
23                 any operations and maintenance appropria-  
24                 tion shall not exceed the amount seques-  
25                 tered from such appropriation.

1           “(C) The authority to make transfers pur-  
2           suant to subparagraph (A) is in addition to any  
3           authority of the Secretary of Defense to make  
4           transfers of appropriated funds under any other  
5           provision of law.

6           “(D) The Secretary of Defense may carry  
7           out a transfer of funds under subparagraph (A)  
8           only after notifying the Committees on Appro-  
9           priations of the Senate and House of Rep-  
10          resentatives of the proposed transfer and a pe-  
11          riod of 20 calendar days in session has elapsed  
12          after such notice is received.”.

13 **SEC. 20013. TREATMENT OF DIRECT STUDENT LOANS.**

14          Section 504 of the Federal Credit Reform Act of  
15          1990 is amended by adding at the end the following new  
16          subsection:

17          “(h) TREATMENT OF DIRECT STUDENT LOANS.—  
18          The cost of a direct loan under the Federal direct student  
19          loan program shall be the net present value, at the time  
20          when the direct loan is disbursed, of the following cash  
21          flows for the estimated life of the loan:

22                  “(1) Loan disbursements.

23                  “(2) Repayments of principal.

24                  “(3) Payments of interest and other payments  
25          by or to the Government over the life of the loan

1 after adjusting for estimated defaults, prepayments,  
2 fees, penalties, and other recoveries.

3 “(4) Direct expenses, including—

4 “(A) activities related to credit extension,  
5 loan origination, loan servicing, management of  
6 contractors, and payments to contractors, other  
7 government entities, and program participants;

8 “(B) collection of delinquent loans; and

9 “(C) writeoff and closeout of loans.”.

10 **SEC. 20014. DEFINITION OF PROGRAMS, PROJECTS, AND**  
11 **ACTIVITIES FOR DEPARTMENT OF DEFENSE**  
12 **APPROPRIATIONS.**

13 For purposes of the Balanced Budget and Emergency  
14 Deficit Control Act of 1985, the term program, project,  
15 and activity for appropriations contained in any Depart-  
16 ment of Defense appropriation Act shall be defined as the  
17 most specific level of budget items identified in the most  
18 recent Department of Defense appropriation Act, the ac-  
19 companying House and Senate Committee reports, the  
20 conference report and accompanying joint explanatory  
21 statement of the managers of the committee of conference,  
22 the related classified annexes and reports, and the P-1  
23 and R-1 budget justification documents as subsequently  
24 modified by congressional action: *Provided*, That the fol-  
25 lowing exception to the above definition shall apply:

1 For the Military Personnel and the Operation and  
2 Maintenance accounts, the term “program, project, and  
3 activity” is defined as the appropriation accounts con-  
4 tained in the most recent Department of Defense appro-  
5 priation Act: *Provided further*, That at the time the Presi-  
6 dent submits his budget for any fiscal year, the Depart-  
7 ment of Defense shall transmit to the Committees on Ap-  
8 propriations and the Committees on Armed Services of the  
9 Senate and the House of Representatives a budget jus-  
10 tification document to be known as the “O-1” which shall  
11 identify, at the budget activity, activity group, and sub-  
12 activity group level, the amounts requested by the Presi-  
13 dent to be appropriated to the Department of Defense for  
14 operation and maintenance in any budget request, or  
15 amended budget request, for that fiscal year.

Passed the House of Representatives October 26,  
1995.

Attest:

ROBIN H. CARLE,

*Clerk.*



## Calendar No. 216

104TH CONGRESS  
1ST SESSION**S. 1357**

To provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

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 IN THE SENATE OF THE UNITED STATES

OCTOBER 23, 1995

Mr. DOMENICI, from the Committee on the Budget, reported the following original bill; which was read twice and placed on the calendar

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**A BILL**

To provide for reconciliation pursuant to section 105 of the concurrent resolution on the budget for fiscal year 1996.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Balanced Budget Rec-  
5 onciliation Act of 1995”.

6 **SEC. 2. TABLE OF TITLES.**

7 The table of titles for this Act is as follows:

	Page
Title I. Committee on Agriculture, Nutrition, and Forestry .....	2
Title II. Committee on Armed Services .....	161
Title III. Committee on Banking, Housing, and Urban Affairs .....	181

Title IV. Committee on Commerce, Science, and Transportation .....	205
Title V. Committee on Energy and Natural Resources .....	224
Title VI. Committee on Environment and Public Works .....	427
Title VII. Committee on Finance—Spending Control Provisions .....	434
Title VIII. Committee on Governmental Affairs .....	1395
Title IX. Committee on the Judiciary .....	1408
Title X. Committee on Labor and Human Resources .....	1408
Title XI. Committee on Veterans' Affairs .....	1455
Title XII. Committee on Finance—Revenue Provisions .....	1463

1 **TITLE I—COMMITTEE ON AGRI-**  
2 **CULTURE, NUTRITION, AND**  
3 **FORESTRY**

4 **SEC. 1001. SHORT TITLE; TABLE OF CONTENTS.**

5 (a) **SHORT TITLE.**—This title may be cited as the  
6 “Agricultural Reconciliation Act of 1995”.

7 (b) **TABLE OF CONTENTS.**—The table of contents of  
8 this title is as follows:

Sec. 1001. Short title; table of contents.

Subtitle A—Commodity Programs

Sec. 1101. Eligibility for enrollment in annual programs.

Sec. 1102. Rice program.

Sec. 1103. Cotton program.

Sec. 1104. Feed grain program.

Sec. 1105. Wheat program.

Sec. 1106. Milk program.

Sec. 1107. Oilseeds program.

Sec. 1108. Sugar program.

Sec. 1109. Acreage base and yield system.

Sec. 1110. Extension of related price support provisions.

Sec. 1111. Repeal of miscellaneous authorities.

Sec. 1112. Commodity Credit Corporation interest rate.

Sec. 1113. Peanut program.

Sec. 1114. Catastrophic crop insurance coverage.

Sec. 1115. Savings adjustment.

Sec. 1116. Sense of the Senate regarding tax provisions relating to ethanol.

Sec. 1117. Effective date.

Subtitle B—Conservation

Sec. 1201. Conservation.

Subtitle C—Agricultural Promotion and Export Programs

Sec. 1301. Market promotion program.



1       thorized only during fiscal years 1995 through  
2       2005”.

3 **TITLE VII—COMMITTEE ON FI-**  
4 **NANCE—SPENDING CONTROL**  
5 **PROVISIONS**

6 **SEC. 7000. REFERENCES; TABLE OF CONTENTS.**

7       (a) AMENDMENTS TO SOCIAL SECURITY ACT.—Ex-  
8       cept as otherwise specifically provided, whenever in sub-  
9       titles A through G of this title an amendment is expressed  
10      in terms of an amendment to or repeal of a section or  
11      other provision, the reference shall be considered to be  
12      made to that section or other provision of the Social Secu-  
13      rity Act.

14      (b) REFERENCES TO OBRA.—In this title, the terms  
15      “OBRA-1986”, “OBRA-1987”, “OBRA-1990”, and  
16      “OBRA-1993” refer to the Omnibus Budget Reconcili-  
17      ation Act of 1986 (Public Law 99-509), the Omnibus  
18      Budget Reconciliation Act of 1987 (Public Law 100-203),  
19      the Omnibus Budget Reconciliation Act of 1989 (Public  
20      Law 101-239), the Omnibus Budget Reconciliation Act  
21      of 1990 (Public Law 101-508), and the Omnibus Budget  
22      Reconciliation Act of 1993 (Public Law 103-66), respec-  
23      tively.

1 (c) TABLE OF CONTENTS OF SUBTITLES A  
 2 THROUGH J.—The table of contents of subtitles A  
 3 through J of this title is as follows:

TITLE VII—COMMITTEE ON FINANCE—SPENDING CONTROL  
 PROVISIONS

Sec. 7000. References; table of contents.

Subtitle A—Medicare

CHAPTER 1—MEDICARE CHOICE PLANS

SUBCHAPTER A—ESTABLISHMENT OF MEDICARE CHOICE PLANS

Sec. 7001. Medicare choice plans.

Sec. 7002. Treatment of 1876 organizations.

Sec. 7003. Special rule for calculation of payment rates for 1996.

SUBCHAPTER B—TAX PROVISIONS RELATING TO MEDICARE CHOICE PLANS

Sec. 7006. Medicare Choice Accounts.

Sec. 7007. Certain rebates included in gross income.

CHAPTER 2—PROVISIONS RELATING TO PART A

SUBCHAPTER A—GENERAL PROVISIONS RELATING TO PART A

Sec. 7011. PPS hospital payment update.

Sec. 7012. PPS-exempt hospital payments.

Sec. 7013. Capital payments for PPS hospitals.

Sec. 7014. Disproportionate share hospital payments.

Sec. 7015. Indirect medical education payments.

Sec. 7016. Graduate medical education and disproportionate share payment ad-  
 justments for medicare choice.

Sec. 7017. Payments for hospice services.

Sec. 7018. Extending medicare coverage of, and application of hospital insur-  
 ance tax to, all State and local government employees.

SUBCHAPTER B—PAYMENTS TO SKILLED NURSING FACILITIES

Sec. 7031. Payments for routine service costs.

Sec. 7032. Incentives for cost-effective management of covered non-routine  
 services.

Sec. 7033. Payments for routine service costs.

Sec. 7034. Reductions in payment for capital-related costs.

Sec. 7035. Treatment of items and services paid for under part B.

Sec. 7036. Medical review process.

Sec. 7037. Report by Prospective Payment Assessment Commission.

Sec. 7038. Effective date.

CHAPTER 3—PROVISIONS RELATING TO PART B

Sec. 7041. Payments for physicians' services.

Sec. 7042. Elimination of formula-driven overpayments for certain outpatient  
 hospital services.

- Sec. 7043. Payment for clinical laboratory diagnostic services.
- Sec. 7044. Durable medical equipment.
- Sec. 7045. Updates for orthotics and prosthetics.
- Sec. 7046. Payments for capital-related costs of outpatient hospital services.
- Sec. 7047. Payments for non-capital costs of outpatient hospital services.
- Sec. 7048. Updates for ambulatory surgical services.
- Sec. 7049. Payment for ambulance services.
- Sec. 7050. Physician supervision of nurse anesthetists.
- Sec. 7051. Part B deductible.
- Sec. 7052. Part B premium.
- Sec. 7053. Increase in medicare part B premium for high income individuals.

#### CHAPTER 4—PROVISIONS RELATING TO PARTS A AND B

##### SUBCHAPTER A—GENERAL PROVISIONS RELATING TO PARTS A AND B

- Sec. 7055. Secondary payor provisions.
- Sec. 7056. Treatment of assisted suicide.
- Sec. 7057. Administrative provisions.

##### SUBCHAPTER B—PAYMENTS FOR HOME HEALTH SERVICES

- Sec. 7061. Payment for home health services.
- Sec. 7062. Maintaining savings resulting from temporary freeze on payment increases for home health services.
- Sec. 7063. Extension of waiver of presumption of lack of knowledge of exclusion from coverage for home health agencies.

#### CHAPTER 5—RURAL AREAS

- Sec. 7071. Medicare-dependent, small, rural hospital payment extension.
- Sec. 7072. Medicare rural hospital flexibility program.
- Sec. 7073. Establishment of rural emergency access care hospitals.
- Sec. 7074. Additional payments for physicians' services furnished in shortage areas.
- Sec. 7075. Payments to physician assistants and nurse practitioners for services furnished in outpatient or home settings.
- Sec. 7076. Demonstration projects to promote telemedicine.
- Sec. 7077. PROPAC recommendations on urban medicare dependent hospitals.

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- Sec. 7190. Short title.
- Sec. 7191. Transformation of medicaid program.
- Sec. 7192. Medicaid drug rebate program.
- Sec. 7193. Waivers.
- Sec. 7194. Children with special health care needs.
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- Sec. 7200. Short title.
- Sec. 7201. Block grants to States.
- Sec. 7202. Services provided by charitable, religious, or private organizations.
- Sec. 7203. Limitations on use of funds for certain purposes.
- Sec. 7204. Census data on grandparents as primary caregivers for their grandchildren.
- Sec. 7205. Study of effect of welfare reform on grandparents as primary caregivers.
- Sec. 7206. Development of prototype of counterfeit-resistant social security card required.
- Sec. 7207. Disclosure of receipt of Federal funds.
- Sec. 7208. Modifications to the job opportunities for certain low-income individuals program.
- Sec. 7209. Demonstration projects for school utilization.
- Sec. 7210. Corrective compliance plan.
- Sec. 7211. Parental responsibility contracts.
- Sec. 7212. Expenditure of Federal funds in accordance with laws and procedures applicable to expenditure of State funds.
- Sec. 7213. Conforming amendments to the Social Security Act.
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- Sec. 7215. Conforming amendments to other laws.
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#### Subtitle D—Supplemental Security Income

##### CHAPTER 1—ELIGIBILITY RESTRICTIONS

- Sec. 7251. Denial of supplemental security income benefits by reason of disability to drug addicts and alcoholics.
- Sec. 7252. Denial of SSI benefits for 10 years to individuals found to have fraudulently misrepresented residence in order to obtain benefits simultaneously in 2 or more States.
- Sec. 7253. Denial of SSI benefits for fugitive felons and probation and parole violators.
- Sec. 7254. Effective dates; application to current recipients.

##### CHAPTER 2—BENEFITS FOR DISABLED CHILDREN

- Sec. 7261. Definition and eligibility rules.
- Sec. 7262. Eligibility redeterminations and continuing disability reviews.
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- Sec. 7271. Annual report on the supplemental security income program.
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- Sec. 7281. Establishment.
- Sec. 7282. Duties of the Commission.

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#### CHAPTER 5—STATE SUPPLEMENTATION PROGRAMS

- Sec. 7291. Repeal of maintenance of effort requirements applicable to optional State programs for supplementation of SSI benefits.

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#### Subtitle E—Child Support

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- Sec. 7301. State obligation to provide child support enforcement services.
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##### CHAPTER 2—LOCATE AND CASE TRACKING

- Sec. 7311. State case registry.
- Sec. 7312. Collection and disbursement of support payments.
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##### CHAPTER 3—STREAMLINING AND UNIFORMITY OF PROCEDURES

- Sec. 7321. Adoption of uniform State laws.
- Sec. 7322. Improvements to full faith and credit for child support orders.
- Sec. 7323. Administrative enforcement in interstate cases.
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##### CHAPTER 4—PATERNITY ESTABLISHMENT

- Sec. 7331. State laws concerning paternity establishment.
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- Sec. 7333. Cooperation by applicants for and recipients of temporary family assistance.

##### CHAPTER 5—PROGRAM ADMINISTRATION AND FUNDING

- Sec. 7341. Performance-based incentives and penalties.
- Sec. 7342. Federal and State reviews and audits.
- Sec. 7343. Required reporting procedures.
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- Sec. 7345. Technical assistance.
- Sec. 7346. Reports and data collection by the Secretary.

## CHAPTER 6—ESTABLISHMENT AND MODIFICATION OF SUPPORT ORDERS

- Sec. 7351. National Child Support Guidelines Commission.
- Sec. 7352. Simplified process for review and adjustment of child support orders.
- Sec. 7353. Furnishing consumer reports for certain purposes relating to child support.
- Sec. 7354. Nonliability for depository institutions providing financial records to State child support enforcement agencies in child support cases.

## CHAPTER 7—ENFORCEMENT OF SUPPORT ORDERS

- Sec. 7361. Internal Revenue Service collection of arrearages.
- Sec. 7362. Authority to collect support from Federal employees.
- Sec. 7363. Enforcement of child support obligations of members of the armed forces.
- Sec. 7364. Voiding of fraudulent transfers.
- Sec. 7365. Work requirement for persons owing child support.
- Sec. 7366. Definition of support order.
- Sec. 7367. Reporting arrearages to credit bureaus.
- Sec. 7368. Liens.
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- Sec. 7370. Denial of passports for nonpayment of child support.
- Sec. 7371. International child support enforcement.
- Sec. 7372. Denial of means-tested Federal benefits to noncustodial parents who are delinquent in paying child support.
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- Sec. 7374. Financial institution data matches.
- Sec. 7375. Child support enforcement fees for non-assistance families.
- Sec. 7376. Enforcement of orders against paternal grandparents in cases of minor parents.
- Sec. 7377. Sense of the Senate regarding the inability of the non-custodial parent to pay child support.

## CHAPTER 8—MEDICAL SUPPORT

- Sec. 7378. Technical correction to ERISA definition of medical child support order.
- Sec. 7379. Enforcement of orders for health care coverage.

CHAPTER 9—ENHANCING RESPONSIBILITY AND OPPORTUNITY FOR  
NONRESIDENTIAL PARENTS

- Sec. 7381. Grants to States for access and visitation programs.

## CHAPTER 10—EFFECT OF ENACTMENT

- Sec. 7391. Effective dates.

## Subtitle F—Noncitizens

- Sec. 7401. State option to prohibit assistance for certain aliens.
- Sec. 7402. Deemed income requirement for Federal and federally funded programs.
- Sec. 7403. Requirements for sponsor's affidavit of support.
- Sec. 7404. Limited eligibility of noncitizens for SSI benefits.
- Sec. 7405. Treatment of noncitizens.

- Sec. 7406. Information reporting.
- Sec. 7407. Prohibition on payment of Federal benefits to certain persons.

Subtitle G—Additional Provisions Relating To Welfare Reform

CHAPTER 1—REDUCTIONS IN FEDERAL GOVERNMENT POSITIONS

- Sec. 7411. Reductions.
- Sec. 7412. Reductions in Federal bureaucracy.
- Sec. 7413. Reducing personnel in Washington, D.C. area.

CHAPTER 2—BLOCK GRANT FOR SOCIAL SERVICES.

- Sec. 7421. Reduction in block grant for social services.
- Sec. 7422. Establishing national goals to prevent teenage pregnancies.

CHAPTER 3—FOSTER CARE MAINTENANCE PAYMENTS PROGRAM

- Sec. 7431. Limitation on growth of administrative expenses for foster care maintenance payments program.

CHAPTER 4—MISCELLANEOUS PROVISIONS

- Sec. 7441. Exemption of battered individuals from certain requirements.
- Sec. 7442. Sense of the Senate on legislative accountability for unfunded mandates in welfare reform legislation.
- Sec. 7443. Sense of the Senate regarding enforcement of statutory rape laws.
- Sec. 7444. Sanctioning for testing positive for controlled substances.
- Sec. 7445. Abstinence education.
- Sec. 7446. Fraud under means-tested welfare and public assistance programs.

Subtitle H—Reform of the Earned Income Tax Credit

- Sec. 7460. Amendment of 1986 code.
- Sec. 7461. Earned income credit denied to individuals not authorized to be employed in the United States.
- Sec. 7462. Repeal of earned income credit for individuals without children.
- Sec. 7463. Modification of earned income credit amount and phaseout.
- Sec. 7464. Rules relating to denial of earned income credit on basis of disqualified income.
- Sec. 7465. Modification of adjusted gross income definition for earned income credit.
- Sec. 7466. Provisions to improve tax compliance.

Subtitle I—Increase in Public Debt Limit

- Sec. 7471. Increase in public debt limit.

Subtitle J—Correction of Cost of Living Adjustments

- Sec. 7481. Sense of the Senate regarding correction of cost of living adjustments.



1           1995, rather than the funds authorized by this  
2 subtitle.

3           (c) SUNSET.—The amendment made by section  
4 7201(b) shall be effective only during the 5-year period  
5 beginning on October 1, 1995.

## 6   **Subtitle D—Supplemental Security** 7                                   **Income**

### 8   **CHAPTER 1—ELIGIBILITY RESTRICTIONS**

#### 9   **SEC. 7251. DENIAL OF SUPPLEMENTAL SECURITY INCOME** 10                                   **BENEFITS BY REASON OF DISABILITY TO** 11                                   **DRUG ADDICTS AND ALCOHOLICS.**

12           (a) IN GENERAL.—Section 1614(a)(3) (42 U.S.C.  
13 1382c(a)(3)) is amended by adding at the end the follow-  
14 ing:

15           “(I) Notwithstanding subparagraph (A), an individ-  
16 ual shall not be considered to be disabled for purposes of  
17 this title if alcoholism or drug addiction would (but for  
18 this subparagraph) be a contributing factor material to  
19 the Commissioner’s determination that the individual is  
20 disabled.”.

21           (b) REPRESENTATIVE PAYEE REQUIREMENTS.—

22                   (1) Section 1631(a)(2)(A)(ii)(II) (42 U.S.C.  
23 1383(a)(2)(A)(ii)(II)) is amended to read as follows:

24           “(II) In the case of an individual eligible for benefits  
25 under this title by reason of disability, if such individual

1 also has an alcoholism or drug addiction condition (as de-  
2 termined by the Commissioner of Social Security), the  
3 payment of such benefits to a representative payee shall  
4 be deemed to serve the interest of the individual. In any  
5 case in which such payment is so deemed under this  
6 subclause to serve the interest of an individual, the Com-  
7 missioner shall include, in the individual's notification of  
8 such eligibility, a notice that such alcoholism or drug ad-  
9 diction condition accompanies the disability upon which  
10 such eligibility is based and that the Commissioner is  
11 therefore required to pay the individual's benefits to a rep-  
12 resentative payee.”.

13           (2) Section 1631(a)(2)(B)(vii) (42 U.S.C.  
14 1383(a)(2)(B)(vii)) is amended by striking “eligible  
15 for benefits” and all that follows through “is dis-  
16 abled” and inserting “described in subparagraph  
17 (A)(ii)(II)”.

18           (3) Section 1631(a)(2)(B)(ix)(II) (42 U.S.C.  
19 1383(a)(2)(B)(ix)(II)) is amended by striking all  
20 that follows “15 years, or” and inserting “described  
21 in subparagraph (A)(ii)(II)”.

22           (4) Section 1631(a)(2)(D)(i)(II) (42 U.S.C.  
23 1383(a)(2)(D)(i)(II)) is amended by striking “eligi-  
24 ble for benefits” and all that follows through “is dis-

1       abled” and inserting “described in subparagraph  
2       (A)(ii)(II)”.

3       (c) TREATMENT SERVICES FOR INDIVIDUALS WITH  
4 A SUBSTANCE ABUSE CONDITION.—

5           (1) IN GENERAL.—Title XVI (42 U.S.C. 1381  
6       et seq.) is amended by adding at the end the follow-  
7       ing new section:

8       “TREATMENT SERVICES FOR INDIVIDUALS WITH A  
9                           SUBSTANCE ABUSE CONDITION

10       “SEC. 1636. (a) In the case of any individual eligible  
11 for benefits under this title by reason of disability who  
12 is identified as having a substance abuse condition, the  
13 Commissioner of Social Security shall make provision for  
14 referral of such individual to the appropriate State agency  
15 administering the State plan for substance abuse treat-  
16 ment services approved under subpart II of part B of title  
17 XIX of the Public Health Service Act (42 U.S.C. 300x-  
18 21 et seq.).

19       “(b) No individual described in subsection (a) shall  
20 be an eligible individual or eligible spouse for purposes of  
21 this title if such individual refuses without good cause to  
22 accept the referred services described under subsection  
23 (a).

24           (2) CONFORMING AMENDMENT.—Section  
25       1614(a)(4) (42 U.S.C. 1382c(a)(4)) is amended by  
26       inserting after the second sentence the following new

1 sentence: “For purposes of the preceding sentence,  
2 any individual identified by the Commissioner as  
3 having a substance abuse condition shall seek and  
4 complete appropriate treatment as needed.”.

5 (d) CONFORMING AMENDMENTS.—

6 (1) Section 1611(e) (42 U.S.C. 1382(e)) is  
7 amended by striking paragraph (3).

8 (2) Section 1634 (42 U.S.C. 1383c) is amended  
9 by striking subsection (e).

10 (3) Section 201(c)(1) of the Social Security  
11 Independence and Program Improvements Act of  
12 1994 (42 U.S.C. 425 note) is amended—

13 (A) by striking “—” and all that follows  
14 through “(A)” the 1st place it appears;

15 (B) by striking “and” the 3rd place it ap-  
16 pears;

17 (C) by striking subparagraph (B);

18 (D) by striking “either subparagraph (A)  
19 or subparagraph (B)” and inserting “the pre-  
20 ceding sentence”; and

21 (E) by striking “subparagraph (A) or (B)”  
22 and inserting “the preceding sentence”.

23 (e) SUPPLEMENTAL FUNDING FOR ALCOHOL AND  
24 SUBSTANCE ABUSE TREATMENT PROGRAMS.—

1           (1) IN GENERAL.—Out of any money in the  
2 Treasury not otherwise appropriated, there are here-  
3 by appropriated to supplement State and Tribal pro-  
4 grams funded under section 1933 of the Public  
5 Health Service Act (42 U.S.C. 300x-33),  
6 \$50,000,000 for each of the fiscal years 1997 and  
7 1998.

8           (2) ADDITIONAL FUNDS.—Amounts appro-  
9 priated under paragraph (1) shall be in addition to  
10 any funds otherwise appropriated for allotments  
11 under section 1933 of the Public Health Service Act  
12 (42 U.S.C. 300x-33) and shall be allocated pursuant  
13 to such section 1933.

14           (3) USE OF FUNDS.—A State or Tribal govern-  
15 ment receiving an allotment under this subsection  
16 shall consider as priorities, for purposes of expend-  
17 ing funds allotted under this subsection, activities  
18 relating to the treatment of the abuse of alcohol and  
19 other drugs.

1 **SEC. 7252. DENIAL OF SSI BENEFITS FOR 10 YEARS TO INDI-**  
2 **VIDUALS FOUND TO HAVE FRAUDULENTLY**  
3 **MISREPRESENTED RESIDENCE IN ORDER TO**  
4 **OBTAIN BENEFITS SIMULTANEOUSLY IN 2 OR**  
5 **MORE STATES.**

6 Section 1614(a) (42 U.S.C. 1382c(a)) is amended by  
7 adding at the end the following new paragraph:

8 “(5) An individual shall not be considered an eligible  
9 individual for purposes of this title during the 10-year pe-  
10 riod beginning on the date the individual is convicted in  
11 Federal or State court of having made a fraudulent state-  
12 ment or representation with respect to the place of resi-  
13 dence of the individual in order to receive assistance simul-  
14 taneously from 2 or more States under programs that are  
15 funded under part A of title IV, title XXI, or the Food  
16 Stamp Act of 1977, or benefits in 2 or more States under  
17 the supplemental security income program under title  
18 XVI.”.

19 **SEC. 7253. DENIAL OF SSI BENEFITS FOR FUGITIVE FELONS**  
20 **AND PROBATION AND PAROLE VIOLATORS.**

21 (a) **IN GENERAL.**—Section 1611(e) (42 U.S.C.  
22 1382(e)), as amended by section 7251(c)(1), is amended  
23 by inserting after paragraph (2) the following new para-  
24 graph:

1       “(3) A person shall not be an eligible individual or  
2 eligible spouse for purposes of this title with respect to  
3 any month if during such month the person is—

4               “(A) fleeing to avoid prosecution, or custody or  
5 confinement after conviction, under the laws of the  
6 place from which the person flees, for a crime, or an  
7 attempt to commit a crime, which is a felony under  
8 the laws of the place from which the person flees, or  
9 which, in the case of the State of New Jersey, is a  
10 high misdemeanor under the laws of such State; or

11               “(B) violating a condition of probation or pa-  
12 role imposed under Federal or State law.”.

13       (b) EXCHANGE OF INFORMATION WITH LAW EN-  
14 FORCEMENT AGENCIES.—Section 1631(e) (42 U.S.C.  
15 1383(e)) is amended by inserting after paragraph (3) the  
16 following new paragraph:

17       “(4) Notwithstanding any other provision of law, the  
18 Commissioner shall furnish any Federal, State, or local  
19 law enforcement officer, upon the request of the officer,  
20 with the current address, Social Security number, and  
21 photograph (if applicable) of any recipient of benefits  
22 under this title, if the officer furnishes the agency with  
23 the name of the recipient and notifies the agency that—

24               “(A) the recipient—

1           “(i) is fleeing to avoid prosecution, or cus-  
2           tody or confinement after conviction, under the  
3           laws of the place from which the person flees,  
4           for a crime, or an attempt to commit a crime,  
5           which is a felony under the laws of the place  
6           from which the person flees, or which, in the  
7           case of the State of New Jersey, is a high mis-  
8           demeanor under the laws of such State;

9           “(ii) is violating a condition of probation or  
10          parole imposed under Federal or State law; or

11          “(iii) has information that is necessary for  
12          the officer to conduct the officer’s official du-  
13          ties; and

14          “(B) the location or apprehension of the recipi-  
15          ent is within the officer’s official duties.”.

16 **SEC. 7254. EFFECTIVE DATES; APPLICATION TO CURRENT**  
17 **RECIPIENTS.**

18 (a) SECTION 7251.—

19           (1) IN GENERAL.—Except as provided in para-  
20           graphs (2) and (3), the amendments made by sec-  
21           tion 7251 shall apply to applicants for benefits for  
22           months beginning on or after the date of the enact-  
23           ment of this Act, without regard to whether regula-  
24           tions have been issued to implement such amend-  
25           ments.



1 (2) APPLICATION TO CURRENT RECIPIENTS.—

2 (A) APPLICATION AND NOTICE.—Notwith-  
3 standing any other provision of law, in the case  
4 of an individual who is receiving supplemental  
5 security income benefits under title XVI of the  
6 Social Security Act as of the date of the enact-  
7 ment of this Act and whose eligibility for such  
8 benefits would terminate by reason of the  
9 amendments made by section 7251, such  
10 amendments shall apply with respect to the  
11 benefits of such individual, including such indi-  
12 vidual's treatment (if any) provided pursuant to  
13 such title as in effect on the day before the date  
14 of such enactment, for months beginning on or  
15 after January 1, 1997, and the Commissioner  
16 of Social Security shall so notify the individual  
17 not later than 90 days after the date of the en-  
18 actment of this Act.

19 (B) REAPPLICATION.—

20 (i) IN GENERAL.—Not later than 120  
21 days after the date of the enactment of  
22 this Act, each individual notified pursuant  
23 to subparagraph (A) who desires to re-  
24 apply for benefits under title XVI of the  
25 Social Security Act, as amended by this

1 title, shall reapply to the Commissioner of  
2 Social Security.

3 (ii) DETERMINATION OF ELIGI-  
4 BILITY.—Not later than 1 year after the  
5 date of the enactment of this Act, the  
6 Commissioner of Social Security shall de-  
7 termine the eligibility of each individual  
8 who reapplies for benefits under clause (i)  
9 pursuant to the procedures of such title.

10 (3) ADDITIONAL APPLICATION OF PAYEE REP-  
11 RESENTATIVE REQUIREMENTS.—The amendments  
12 made by section 7251(b) shall also apply—

13 (A) in the case of any individual who is re-  
14 ceiving supplemental security income benefits  
15 under title XVI of the Social Security Act as of  
16 the date of the enactment of this Act, on and  
17 after the date of such individual's first continu-  
18 ing disability review occurring after such date  
19 of enactment, and

20 (B) in the case of any individual who re-  
21 ceives supplemental security income benefits  
22 under title XVI of the Social Security Act and  
23 has attained age 65, in such manner as deter-  
24 mined appropriate by the Commissioner of So-  
25 cial Security.

1 (b) OTHER AMENDMENTS.—The amendments made  
2 by sections 7252 and 7253 shall take effect on the date  
3 of the enactment of this Act.

4 **CHAPTER 2—BENEFITS FOR DISABLED**  
5 **CHILDREN**

6 **SEC. 7261. DEFINITION AND ELIGIBILITY RULES.**

7 (a) DEFINITION OF CHILDHOOD DISABILITY.—Sec-  
8 tion 1614(a)(3) (42 U.S.C. 1382c(a)(3)), as amended by  
9 section 7251(a), is amended—

10 (1) in subparagraph (A), by striking “An indi-  
11 vidual” and inserting “Except as provided in sub-  
12 paragraph (C), an individual”;

13 (2) in subparagraph (A), by striking “(or, in  
14 the case of an individual under the age of 18, if he  
15 suffers from any medically determinable physical or  
16 mental impairment of comparable severity)”;

17 (3) by redesignating subparagraphs (C) through  
18 (I) as subparagraphs (D) through (J), respectively;

19 (4) by inserting after subparagraph (B) the fol-  
20 lowing new subparagraph:

21 “(C) An individual under the age of 18 shall be con-  
22 sidered disabled for the purposes of this title if that indi-  
23 vidual has a medically determinable physical or mental im-  
24 pairment, which results in marked and severe functional  
25 limitations, and which can be expected to result in death

1 or which has lasted or can be expected to last for a contin-  
 2 uous period of not less than 12 months.”; and

3 (5) in subparagraph (F), as redesignated by  
 4 paragraph (3), by striking “(D)” and inserting  
 5 “(E)”.

6 (b) CHANGES TO CHILDHOOD SSI REGULATIONS.—

7 (1) MODIFICATION TO MEDICAL CRITERIA FOR  
 8 EVALUATION OF MENTAL AND EMOTIONAL DIS-  
 9 ORDERS.—The Commissioner of Social Security  
 10 shall modify sections 112.00C.2. and  
 11 112.02B.2.c.(2) of appendix 1 to subpart P of part  
 12 404 of title 20, Code of Federal Regulations, to  
 13 eliminate references to maladaptive behavior in the  
 14 domain of personal/behavioral function.

15 (2) DISCONTINUANCE OF INDIVIDUALIZED  
 16 FUNCTIONAL ASSESSMENT.—The Commissioner of  
 17 Social Security shall discontinue the individualized  
 18 functional assessment for children set forth in sec-  
 19 tions 416.924d and 416.924e of title 20, Code of  
 20 Federal Regulations.

21 (c) EFFECTIVE DATE; REGULATIONS; APPLICATION  
 22 TO CURRENT RECIPIENTS.—

23 (1) IN GENERAL.—The amendments made by  
 24 subsections (a) and (b) shall apply to applicants for  
 25 benefits for months beginning on or after the date

1 of the enactment of this Act, without regard to  
2 whether regulations have been issued to implement  
3 such amendments.

4 (2) REGULATIONS.—The Commissioner of So-  
5 cial Security shall issue such regulations as the  
6 Commissioner determines to be necessary to imple-  
7 ment the amendments made by subsections (a) and  
8 (b) not later than 60 days after the date of the en-  
9 actment of this Act.

10 (3) APPLICATION TO CURRENT RECIPIENTS.—

11 (A) ELIGIBILITY DETERMINATIONS.—Not  
12 later than 1 year after the date of the enact-  
13 ment of this Act, the Commissioner of Social  
14 Security shall redetermine the eligibility of any  
15 individual under age 18 who is receiving supple-  
16 mental security income benefits based on a dis-  
17 ability under title XVI of the Social Security  
18 Act as of the date of the enactment of this Act  
19 and whose eligibility for such benefits may ter-  
20minate by reason of the amendments made by  
21 subsection (a) or (b). With respect to any rede-  
22termination under this subparagraph—

23 (i) section 1614(a)(4) of the Social  
24 Security Act (42 U.S.C. 1382c(a)(4)) shall  
25 not apply;

1 (ii) the Commissioner of Social Secu-  
2 rity shall apply the eligibility criteria for  
3 new applicants for benefits under title XVI  
4 of such Act;

5 (iii) the Commissioner shall give such  
6 redetermination priority over all continuing  
7 eligibility reviews and other reviews under  
8 such title; and

9 (iv) such redetermination shall be  
10 counted as a review or redetermination  
11 otherwise required to be made under sec-  
12 tion 208 of the Social Security Independ-  
13 ence and Program Improvements Act of  
14 1994 or any other provision of title XVI of  
15 the Social Security Act.

16 (B) GRANDFATHER PROVISION.—The  
17 amendments made by subsections (a) and (b),  
18 and the redetermination under subparagraph  
19 (A), shall only apply with respect to the benefits  
20 of an individual described in subparagraph (A)  
21 for months beginning on or after January 1,  
22 1997.

23 (C) NOTICE.—Not later than 90 days after  
24 the date of the enactment of this Act, the Com-  
25 missioner of Social Security shall notify an indi-

1           vidual described in subparagraph (A) of the  
2           provisions of this paragraph.

3 **SEC. 7262. ELIGIBILITY REDETERMINATIONS AND CON-**  
4 **TINUING DISABILITY REVIEWS.**

5           (a) CONTINUING DISABILITY REVIEWS RELATING TO  
6 CERTAIN CHILDREN.—Section 1614(a)(3)(H) (42 U.S.C.  
7 1382c(a)(3)(H)), as redesignated by section 7261(a)(3),  
8 is amended—

9           (1) by inserting “(i)” after “(H)”; and

10           (2) by adding at the end the following new  
11 clause:

12           “(ii)(I) Not less frequently than once every 3 years,  
13 the Commissioner shall review in accordance with para-  
14 graph (4) the continued eligibility for benefits under this  
15 title of each individual who has not attained 18 years of  
16 age and is eligible for such benefits by reason of an im-  
17 pairment (or combination of impairments) which may im-  
18 prove (or, which is unlikely to improve, at the option of  
19 the Commissioner).

20           “(II) A parent or guardian of a recipient whose case  
21 is reviewed under this clause shall present, at the time  
22 of review, evidence demonstrating that the recipient is,  
23 and has been, receiving treatment, to the extent consid-  
24 ered medically necessary and available, of the condition

1 which was the basis for providing benefits under this  
2 title.”.

3 (b) DISABILITY ELIGIBILITY REDETERMINATIONS  
4 REQUIRED FOR SSI RECIPIENTS WHO ATTAIN 18 YEARS  
5 OF AGE.—

6 (1) IN GENERAL.—Section 1614(a)(3)(H) (42  
7 U.S.C. 1382c(a)(3)(H)), as amended by subsection  
8 (a), is amended by adding at the end the following  
9 new clause:

10 “(iii) If an individual is eligible for benefits under this  
11 title by reason of disability for the month preceding the  
12 month in which the individual attains the age of 18 years,  
13 the Commissioner shall redetermine such eligibility—

14 “(I) during the 1-year period beginning on the  
15 individual’s 18th birthday; and

16 “(II) by applying the criteria used in determin-  
17 ing the initial eligibility for applicants who have at-  
18 tained the age of 18 years.

19 With respect to a redetermination under this clause, para-  
20 graph (4) shall not apply and such redetermination shall  
21 be considered a substitute for a review or redetermination  
22 otherwise required under any other provision of this sub-  
23 paragraph during that 1-year period.”.

24 (2) CONFORMING REPEAL.—Section 207 of the  
25 Social Security Independence and Program Improve-



1       ments Act of 1994 (42 U.S.C. 1382 note; 108 Stat.  
2       1516) is hereby repealed.

3       (c) CONTINUING DISABILITY REVIEW REQUIRED FOR  
4 LOW BIRTH WEIGHT BABIES.—Section 1614(a)(3)(H)  
5 (42 U.S.C. 1382c(a)(3)(H)), as amended by subsections  
6 (a) and (b), is amended by adding at the end the following  
7 new clause:

8       “(iv)(I) Not later than 12 months after the birth of  
9 an individual, the Commissioner shall review in accordance  
10 with paragraph (4) the continuing eligibility for benefits  
11 under this title by reason of disability of such individual  
12 whose low birth weight is a contributing factor material  
13 to the Commissioner’s determination that the individual  
14 is disabled.

15       “(II) A review under subclause (I) shall be considered  
16 a substitute for a review otherwise required under any  
17 other provision of this subparagraph during that 12-  
18 month period.

19       “(III) A parent or guardian of a recipient whose case  
20 is reviewed under this clause shall present, at the time  
21 of review, evidence demonstrating that the recipient is,  
22 and has been, receiving treatment, to the extent consid-  
23 ered medically necessary and available, of the condition  
24 which was the basis for providing benefits under this  
25 title.”.

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to benefits for months beginning  
3 on or after the date of the enactment of this Act, without  
4 regard to whether regulations have been issued to imple-  
5 ment such amendments.

6 **SEC. 7263. ADDITIONAL ACCOUNTABILITY REQUIREMENTS.**

7 (a) TIGHTENING OF REPRESENTATIVE PAYEE RE-  
8 QUIREMENTS.—

9 (1) CLARIFICATION OF ROLE.—Section  
10 1631(a)(2)(B)(ii) (42 U.S.C. 1383(a)(2)(B)(ii)) is  
11 amended by striking “and” at the end of subclause  
12 (II), by striking the period at the end of subclause  
13 (IV) and inserting “; and”, and by adding after  
14 subclause (IV) the following new subclause:

15 “(V) advise such person through the notice of  
16 award of benefits, and at such other times as the  
17 Commissioner of Social Security deems appropriate,  
18 of specific examples of appropriate expenditures of  
19 benefits under this title and the proper role of a rep-  
20 resentative payee.”.

21 (2) DOCUMENTATION OF EXPENDITURES RE-  
22 QUIRED.—

23 (A) IN GENERAL.—Subparagraph (C)(i) of  
24 section 1631(a)(2) (42 U.S.C. 1383(a)(2)) is  
25 amended to read as follows:

1       “(C)(i) In any case where payment is made to a rep-  
2       resentative payee of an individual or spouse, the Commis-  
3       sioner of Social Security shall—

4               “(I) require such representative payee to docu-  
5       ment expenditures and keep contemporaneous  
6       records of transactions made using such payment;  
7       and

8               “(II) implement statistically valid procedures  
9       for reviewing a sample of such contemporaneous  
10       records in order to identify instances in which such  
11       representative payee is not properly using such pay-  
12       ment.”.

13               (B) CONFORMING AMENDMENT WITH RE-  
14       SPECT TO PARENT PAYEES.—Clause (ii) of sec-  
15       tion 1631(a)(2)(C) (42 U.S.C. 1383(a)(2)(C))  
16       is amended by striking “Clause (i)” and insert-  
17       ing “Subclauses (II) and (III) of clause (i)”.

18               (3) EFFECTIVE DATE.—The amendments made  
19       by this subsection shall apply to benefits paid after  
20       the date of the enactment of this Act.

21       (b) DEDICATED SAVINGS ACCOUNTS.—

22               (1) IN GENERAL.—Section 1631(a)(2)(B) (42  
23       U.S.C. 1383(a)(2)(B)) is amended by adding at the  
24       end the following new clause:

1       “(xiv) Notwithstanding clause (x), the Commissioner  
2 of Social Security may, at the request of the representative  
3 payee, pay any lump sum payment for the benefit of a  
4 child into a dedicated savings account that could only be  
5 used to purchase for such child—

6           “(I) education and job skills training;

7           “(II) special equipment or housing modifica-  
8 tions or both specifically related to, and required by  
9 the nature of, the child’s disability; and

10          “(III) appropriate therapy and rehabilitation.”.

11          (2) DISREGARD OF TRUST FUNDS.—Section  
12 1613(a) (42 U.S.C. 1382b) is amended—

13           (A) by striking “and” at the end of para-  
14 graph (9),

15           (B) by striking the period at the end of  
16 paragraph (10) the first place it appears and  
17 inserting a semicolon,

18           (C) by redesignating paragraph (10) the  
19 second place it appears as paragraph (11) and  
20 striking the period at the end of such para-  
21 graph and inserting “; and”, and

22           (D) by inserting after paragraph (11), as  
23 so redesignated, the following new paragraph:

1           “(12) all amounts deposited in, or interest cred-  
2           ited to, a dedicated savings account described in sec-  
3           tion 1631(a)(2)(B)(xiv).”.

4           (3) EFFECTIVE DATE.—The amendments made  
5           by this subsection shall apply to payments made  
6           after the date of the enactment of this Act.

7   **CHAPTER 3—STUDIES REGARDING SUP-**  
8    **PLEMENTAL SECURITY INCOME PRO-**  
9    **GRAM**

10 **SEC. 7271. ANNUAL REPORT ON THE SUPPLEMENTAL SECU-**  
11                           **RITY INCOME PROGRAM.**

12           Title XVI is amended by adding at the end the follow-  
13           ing new section:

14 **“SEC. 1636. ANNUAL REPORT ON PROGRAM.**

15           “(a) DESCRIPTION OF REPORT.—Not later than May  
16           30 of each year, the Commissioner of Social Security shall  
17           prepare and deliver a report annually to the President and  
18           the Congress regarding the program under this title, in-  
19           cluding—

20                   “(1) a comprehensive description of the pro-  
21                   gram;

22                   “(2) historical and current data on allowances  
23                   and denials, including number of applications and  
24                   allowance rates at initial determinations, reconsider-

1 ations, administrative law judge hearings, council of  
2 appeals hearings, and Federal court appeal hearings;

3 “(3) historical and current data on characteris-  
4 tics of recipients and program costs, by recipient  
5 group (aged, blind, work disabled adults, and chil-  
6 dren);

7 “(4) projections of future number of recipients  
8 and program costs, through at least 25 years;

9 “(5) number of redeterminations and continu-  
10 ing disability reviews, and the outcomes of such  
11 redeterminations and reviews;

12 “(6) data on the utilization of work incentives;

13 “(7) detailed information on administrative and  
14 other program operation costs;

15 “(8) summaries of relevant research undertaken  
16 by the Social Security Administration, or by other  
17 researchers;

18 “(9) State supplementation program operations;

19 “(10) a historical summary of statutory  
20 changes to this title; and

21 “(11) such other information as the Commis-  
22 sioner deems useful.

23 “(b) VIEWS OF MEMBERS OF THE SOCIAL SECURITY  
24 ADVISORY COUNCIL.—Each member of the Social Secu-  
25 rity Advisory Council shall be permitted to provide an indi-

1 vidual report, or a joint report if agreed, of views of the  
2 program under this title, to be included in the annual re-  
3 port under this section.”.

4 **SEC. 7272. IMPROVEMENTS TO DISABILITY EVALUATION.**

5 (a) **REQUEST FOR COMMENTS.—**

6 (1) **IN GENERAL.—**Not later than 60 days after  
7 the date of the enactment of this Act, the Commis-  
8 sioner of Social Security shall issue a request for  
9 comments in the Federal Register regarding im-  
10 provements to the disability evaluation and deter-  
11 mination procedures for individuals under age 18 to  
12 ensure the comprehensive assessment of such indi-  
13 viduals, including—

14 (A) additions to conditions which should be  
15 presumptively disabling at birth or ages 0  
16 through 3 years;

17 (B) specific changes in individual listings  
18 in the Listing of Impairments set forth in ap-  
19 pendix 1 of subpart P of part 404 of title 20,  
20 Code of Federal Regulations;

21 (C) improvements in regulations regarding  
22 determinations based on regulations providing  
23 for medical and functional equivalence to such  
24 Listing of Impairments, and consideration of  
25 multiple impairments; and

1           (D) any other changes to the disability de-  
2           termination procedures.

3           (2) REVIEW AND REGULATORY ACTION.—The  
4           Commissioner of Social Security shall promptly re-  
5           view such comments and issue any regulations im-  
6           plementing any necessary changes not later than 18  
7           months after the date of the enactment of this Act.

8   **SEC. 7273. STUDY OF DISABILITY DETERMINATION PROC-**  
9           **ESS.**

10          (a) IN GENERAL.—Not later than 90 days after the  
11          date of the enactment of this Act, and from funds other-  
12          wise appropriated, the Commissioner of Social Security  
13          shall make arrangements with the National Academy of  
14          Sciences, or other independent entity, to conduct a study  
15          of the disability determination process under titles II and  
16          XVI of the Social Security Act. This study shall be under-  
17          taken in consultation with professionals representing ap-  
18          propriate disciplines.

19          (b) STUDY COMPONENTS.—The study described in  
20          subsection (a) shall include—

21                  (1) an initial phase examining the appropriate-  
22                  ness of, and making recommendations regarding—

23                          (A) the definitions of disability in effect on  
24                          the date of the enactment of this Act and the



1 advantages and disadvantages of alternative  
2 definitions; and

3 (B) the operation of the disability deter-  
4 mination process, including the appropriate  
5 method of performing comprehensive assess-  
6 ments of individuals under age 18 with physical  
7 and mental impairments;

8 (2) a second phase, which may be concurrent  
9 with the initial phase, examining the validity, reli-  
10 ability, and consistency with current scientific knowl-  
11 edge of the standards and individual listings in the  
12 Listing of Impairments set forth in appendix 1 of  
13 subpart P of part 404 of title 20, Code of Federal  
14 Regulations, and of related evaluation procedures as  
15 promulgated by the Commissioner of Social Security;  
16 and

17 (3) such other issues as the applicable entity  
18 considers appropriate.

19 (c) REPORTS AND REGULATIONS.—

20 (1) REPORTS.—The Commissioner of Social Se-  
21 curity shall request the applicable entity, to submit  
22 an interim report and a final report of the findings  
23 and recommendations resulting from the study de-  
24 scribed in this section to the President and the Con-  
25 gress not later than 18 months and 24 months, re-

1       spectively, from the date of the contract for such  
2       study, and such additional reports as the Commis-  
3       sioner deems appropriate after consultation with the  
4       applicable entity.

5               (2) REGULATIONS.—The Commissioner of So-  
6       cial Security shall review both the interim and final  
7       reports, and shall issue regulations implementing  
8       any necessary changes following each report.

9       **SEC. 7274. STUDY BY GENERAL ACCOUNTING OFFICE.**

10       Not later than January 1, 1998, the Comptroller  
11       General of the United States shall study and report on  
12       the impact of the amendments made by, and the provi-  
13       sions of, this title on the supplemental security income  
14       program under title XVI of the Social Security Act.

15       **CHAPTER 4—NATIONAL COMMISSION ON**  
16               **THE FUTURE OF DISABILITY**

17       **SEC. 7281. ESTABLISHMENT.**

18       There is established a commission to be known as the  
19       National Commission on the Future of Disability (referred  
20       to in this subtitle as the “Commission”), the expenses of  
21       which shall be paid from funds otherwise appropriated for  
22       the Social Security Administration.

23       **SEC. 7282. DUTIES OF THE COMMISSION.**

24               (a) IN GENERAL.—The Commission shall develop  
25       and carry out a comprehensive study of all matters related

1 to the nature, purpose, and adequacy of all Federal pro-  
2 grams serving individuals with disabilities. In particular,  
3 the Commission shall study the disability insurance pro-  
4 gram under title II of the Social Security Act and the sup-  
5 plemental security income program under title XVI of  
6 such Act.

7 (b) MATTERS STUDIED.—The Commission shall pre-  
8 pare an inventory of Federal programs serving individuals  
9 with disabilities, and shall examine—

10 (1) trends and projections regarding the size  
11 and characteristics of the population of individuals  
12 with disabilities, and the implications of such analy-  
13 ses for program planning;

14 (2) the feasibility and design of performance  
15 standards for the Nation's disability programs;

16 (3) the adequacy of Federal efforts in rehabili-  
17 tation research and training, and opportunities to  
18 improve the lives of individuals with disabilities  
19 through all manners of scientific and engineering re-  
20 search; and

21 (4) the adequacy of policy research available to  
22 the Federal Government, and what actions might be  
23 undertaken to improve the quality and scope of such  
24 research.

1 (c) RECOMMENDATIONS.—The Commission shall  
2 submit to the appropriate committees of the Congress and  
3 to the President recommendations and, as appropriate,  
4 proposals for legislation, regarding—

5 (1) which (if any) Federal disability programs  
6 should be eliminated or augmented;

7 (2) what new Federal disability programs (if  
8 any) should be established;

9 (3) the suitability of the organization and loca-  
10 tion of disability programs within the Federal Gov-  
11 ernment;

12 (4) other actions the Federal Government  
13 should take to prevent disabilities and disadvantages  
14 associated with disabilities; and

15 (5) such other matters as the Commission con-  
16 siders appropriate.

17 **SEC. 7283. MEMBERSHIP.**

18 (a) NUMBER AND APPOINTMENT.—

19 (1) IN GENERAL.—The Commission shall be  
20 composed of 15 members, of whom—

21 (A) five shall be appointed by the Presi-  
22 dent, of whom not more than 3 shall be of the  
23 same major political party;

24 (B) three shall be appointed by the Major-  
25 ity Leader of the Senate;

1           (C) two shall be appointed by the Minority  
2           Leader of the Senate;

3           (D) three shall be appointed by the Speak-  
4           er of the House of Representatives; and

5           (E) two shall be appointed by the Minority  
6           Leader of the House of Representatives.

7           (2) REPRESENTATION.—The Commission mem-  
8           bers shall be chosen based on their education, train-  
9           ing, or experience. In appointing individuals as  
10          members of the Commission, the President and the  
11          Majority and Minority Leaders of the Senate and  
12          the Speaker and Minority Leader of the House of  
13          Representatives shall seek to ensure that the mem-  
14          bership of the Commission reflects the diversity of  
15          individuals with disabilities in the United States.

16          (b) COMPTROLLER GENERAL.—The Comptroller  
17          General shall serve on the Commission as an ex officio  
18          member of the Commission to advise and oversee the  
19          methodology and approach of the study of the Commis-  
20          sion.

21          (c) PROHIBITION AGAINST OFFICER OR EM-  
22          PLOYEE.—No officer or employee of any government shall  
23          be appointed under subsection (a).

24          (d) DEADLINE FOR APPOINTMENT; TERM OF AP-  
25          POINTMENT.—Members of the Commission shall be ap-

1 pointed not later than 60 days after the date of the enact-  
2 ment of this Act. The members shall serve on the Commis-  
3 sion for the life of the Commission.

4 (e) MEETINGS.—The Commission shall locate its  
5 headquarters in the District of Columbia, and shall meet  
6 at the call of the Chairperson, but not less than 4 times  
7 each year during the life of the Commission.

8 (f) QUORUM.—Ten members of the Commission shall  
9 constitute a quorum, but a lesser number may hold hear-  
10 ings.

11 (g) CHAIRPERSON AND VICE CHAIRPERSON.—Not  
12 later than 15 days after the members of the Commission  
13 are appointed, such members shall designate a Chair-  
14 person and Vice Chairperson from among the members of  
15 the Commission.

16 (h) CONTINUATION OF MEMBERSHIP.—If a member  
17 of the Commission becomes an officer or employee of any  
18 government after appointment to the Commission, the in-  
19 dividual may continue as a member until a successor mem-  
20 ber is appointed.

21 (i) VACANCIES.—A vacancy on the Commission shall  
22 be filled in the manner in which the original appointment  
23 was made not later than 30 days after the Commission  
24 is given notice of the vacancy.

1 (j) COMPENSATION.—Members of the Commission  
2 shall receive no additional pay, allowances, or benefits by  
3 reason of their service on the Commission.

4 (k) TRAVEL EXPENSES.—Each member of the Com-  
5 mission shall receive travel expenses, including per diem  
6 in lieu of subsistence, in accordance with sections 5702  
7 and 5703 of title 5, United States Code.

8 **SEC. 7284. STAFF AND SUPPORT SERVICES.**

9 (a) DIRECTOR.—

10 (1) APPOINTMENT.—Upon consultation with  
11 the members of the Commission, the Chairperson  
12 shall appoint a Director of the Commission.

13 (2) COMPENSATION.—The Director shall be  
14 paid the rate of basic pay for level V of the Execu-  
15 tive Schedule.

16 (b) STAFF.—With the approval of the Commission,  
17 the Director may appoint such personnel as the Director  
18 considers appropriate.

19 (c) APPLICABILITY OF CIVIL SERVICE LAWS.—The  
20 staff of the Commission shall be appointed without regard  
21 to the provisions of title 5, United States Code, governing  
22 appointments in the competitive service, and shall be paid  
23 without regard to the provisions of chapter 51 and sub-  
24 chapter III of chapter 53 of such title relating to classi-  
25 fication and General Schedule pay rates.

1 (d) EXPERTS AND CONSULTANTS.—With the ap-  
2 proval of the Commission, the Director may procure tem-  
3 porary and intermittent services under section 3109(b) of  
4 title 5, United States Code.

5 (e) STAFF OF FEDERAL AGENCIES.—Upon the re-  
6 quest of the Commission, the head of any Federal agency  
7 may detail, on a reimbursable basis, any of the personnel  
8 of such agency to the Commission to assist in carrying  
9 out the duties of the Commission under this subtitle.

10 (f) OTHER RESOURCES.—The Commission shall have  
11 reasonable access to materials, resources, statistical data,  
12 and other information from the Library of Congress and  
13 agencies and elected representatives of the executive and  
14 legislative branches of the Federal Government. The  
15 Chairperson of the Commission shall make requests for  
16 such access in writing when necessary.

17 (g) PHYSICAL FACILITIES.—The Administrator of  
18 the General Services Administration shall locate suitable  
19 office space for the operation of the Commission. The fa-  
20 cilities shall serve as the headquarters of the Commission  
21 and shall include all necessary equipment and incidentals  
22 required for proper functioning of the Commission.

23 **SEC. 7285. POWERS OF COMMISSION.**

24 (a) HEARINGS.—The Commission may conduct pub-  
25 lic hearings or forums at the discretion of the Commission,



1 at any time and place the Commission is able to secure  
2 facilities and witnesses, for the purpose of carrying out  
3 the duties of the Commission under this subtitle.

4 (b) DELEGATION OF AUTHORITY.—Any member or  
5 agent of the Commission may, if authorized by the Com-  
6 mission, take any action the Commission is authorized to  
7 take by this section.

8 (c) INFORMATION.—The Commission may secure di-  
9 rectly from any Federal agency information necessary to  
10 enable the Commission to carry out its duties under this  
11 subtitle. Upon request of the Chairperson or Vice Chair-  
12 person of the Commission, the head of a Federal agency  
13 shall furnish the information to the Commission to the ex-  
14 tent permitted by law.

15 (d) GIFTS, BEQUESTS, AND DEVISES.—The Commis-  
16 sion may accept, use, and dispose of gifts, bequests, or  
17 devises of services or property, both real and personal, for  
18 the purpose of aiding or facilitating the work of the Com-  
19 mission. Gifts, bequests, or devises of money and proceeds  
20 from sales of other property received as gifts, bequests,  
21 or devises shall be deposited in the Treasury and shall be  
22 available for disbursement upon order of the Commission.

23 (e) MAILS.—The Commission may use the United  
24 States mails in the same manner and under the same con-  
25 ditions as other Federal agencies.

1 **SEC. 7286. REPORTS.**

2 (a) INTERIM REPORT.—Not later than 1 year prior  
3 to the date on which the Commission terminates pursuant  
4 to section 7287, the Commission shall submit an interim  
5 report to the President and to the Congress. The interim  
6 report shall contain a detailed statement of the findings  
7 and conclusions of the Commission, together with the  
8 Commission's recommendations for legislative and admin-  
9 istrative action, based on the activities of the Commission.

10 (b) FINAL REPORT.—Not later than the date on  
11 which the Commission terminates, the Commission shall  
12 submit to the Congress and to the President a final report  
13 containing—

14 (1) a detailed statement of final findings, con-  
15 clusions, and recommendations; and

16 (2) an assessment of the extent to which rec-  
17 ommendations of the Commission included in the in-  
18 terim report under subsection (a) have been imple-  
19 mented.

20 (c) PRINTING AND PUBLIC DISTRIBUTION.—Upon  
21 receipt of each report of the Commission under this sec-  
22 tion, the President shall—

23 (1) order the report to be printed; and

24 (2) make the report available to the public upon  
25 request.

1 **SEC. 7287. TERMINATION.**

2 The Commission shall terminate on the date that is  
3 2 years after the date on which the members of the Com-  
4 mission have met and designated a Chairperson and Vice  
5 Chairperson.

6 **CHAPTER 5—STATE SUPPLEMENTATION**  
7 **PROGRAMS**

8 **SEC. 7291. REPEAL OF MAINTENANCE OF EFFORT RE-**  
9 **QUIREMENTS APPLICABLE TO OPTIONAL**  
10 **STATE PROGRAMS FOR SUPPLEMENTATION**  
11 **OF SSI BENEFITS.**

12 (a) **IN GENERAL.**—Section 1618 (42 U.S.C. 1382g)  
13 is repealed.

14 (b) **EFFECTIVE DATE.**—The repeal made by sub-  
15 section (a) shall apply with respect to calendar quarters  
16 beginning after September 30, 1995.

17 **CHAPTER 6—RETIREMENT AGE**  
18 **ELIGIBILITY**

19 **SEC. 7295. ELIGIBILITY FOR SUPPLEMENTAL SECURITY IN-**  
20 **COME BENEFITS BASED ON SOCIAL SECU-**  
21 **RITY RETIREMENT AGE.**

22 (a) **IN GENERAL.**—Section 1614(a)(1)(A) (42 U.S.C.  
23 1382C(a)(1)(A)) is amended by striking “is 65 years of  
24 age or older,” and inserting “has attained retirement  
25 age.”.

1 (b) RETIREMENT AGE DEFINED.—Section 1614 (42  
 2 U.S.C. 1382c) is amended by adding at the end the follow-  
 3 ing new subsection:

4 “Retirement Age

5 “(g) For purposes of this title, the term ‘retirement  
 6 age’ has the meaning given such term by section  
 7 216(l)(1).”.

8 (c) CONFORMING AMENDMENTS.—Sections 1601,  
 9 1612(b)(4), 1615(a)(1), and 1620(b)(2) (42 U.S.C. 1381,  
 10 1382a(b)(4), 1382d(a)(1), and 1382i(b)(2)) are amended  
 11 by striking “age 65” each place it appears and inserting  
 12 “retirement age”.

13 (d) EFFECTIVE DATE.—The amendments made by  
 14 this section shall apply to applicants for benefits for  
 15 months beginning after September 30, 1995.

## 16 **Subtitle E—Child Support**

### 17 **CHAPTER 1—ELIGIBILITY FOR SERVICES;**

#### 18 **DISTRIBUTION OF PAYMENTS**

##### 19 **SEC. 7301. STATE OBLIGATION TO PROVIDE CHILD SUP-** 20 **PORT ENFORCEMENT SERVICES.**

21 (a) STATE PLAN REQUIREMENTS.—Section 454 (42  
 22 U.S.C. 654) is amended—

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

25 “(4) provide that the State will—

1           “(A) provide services relating to the estab-  
2           lishment of paternity or the establishment,  
3           modification, or enforcement of child support  
4           obligations, as appropriate, under the plan with  
5           respect to—

6                   “(i) each child for whom (I) assist-  
7                   ance is provided under the State program  
8                   funded under part A of this title, (II) ben-  
9                   efits or services are provided under the  
10                  State program funded under part E of this  
11                  title, or (III) medical assistance is provided  
12                  under the State plan approved under title  
13                  XXI, unless the State agency administer-  
14                  ing the plan determines (in accordance  
15                  with paragraph (29)) that it is against the  
16                  best interests of the child to do so; and

17                   “(ii) any other child, if an individual  
18                   applies for such services with respect to  
19                   the child; and

20           “(B) enforce any support obligation estab-  
21           lished with respect to—

22                   “(i) a child with respect to whom the  
23                   State provides services under the plan; or

24                   “(ii) the custodial parent of such a  
25                   child.”; and

1 (2) by striking paragraph (6) and inserting the  
2 following new subparagraph:

3 “(6) provide that—

4 “(A) services under the plan shall be made  
5 available to nonresidents on the same terms as  
6 to residents; and

7 “(B) application and collection fees are im-  
8 posed and collected and costs in excess of such  
9 fees are collected in accordance with section  
10 454C with respect to services under the plan  
11 for—

12 “(i) any individual not receiving as-  
13 sistance under any State program funded  
14 under part A; or

15 “(ii) any individual receiving such as-  
16 sistance but solely through a program  
17 funded under section 419);”.

18 (b) CONTINUATION OF SERVICES FOR FAMILIES  
19 CEASING TO RECEIVE ASSISTANCE UNDER THE STATE  
20 PROGRAM FUNDED UNDER PART A.—Section 454 (42  
21 U.S.C. 654) is amended—

22 (1) by striking “and” at the end of paragraph  
23 (23);

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

1           (3) by adding after paragraph (24) the follow-  
2           ing new paragraph:

3           “(25) provide that when a family with respect  
4           to which services are provided under the plan ceases  
5           to receive assistance under the State program fund-  
6           ed under part A, the State shall provide appropriate  
7           notice to the family and continue to provide such  
8           services, subject to the same conditions and on the  
9           same basis as in the case of individuals to whom  
10          services are furnished under this section, except that  
11          an application or other request to continue services  
12          shall not be required of such a family and certain  
13          fees shall be imposed with respect to such family  
14          under section 454C(a)(1).”.

15          (c) CONFORMING AMENDMENTS.—

16           (1) Section 452(b) (42 U.S.C. 652(b)) is  
17           amended by striking “454(6)” and inserting  
18           “454(4)”.

19           (2) Section 452(g)(2)(A) (42 U.S.C.  
20           652(g)(2)(A)) is amended by striking “454(6)” each  
21           place it appears and inserting “454(4)(A)(ii)”.

22           (3) Section 466(a)(3)(B) (42 U.S.C.  
23           666(a)(3)(B)) is amended by striking “in the case of  
24           overdue support which a State has agreed to collect

1 under section 454(6)” and inserting “in any other  
2 case”.

3 (4) Section 466(e) (42 U.S.C. 666(e)) is  
4 amended by striking “paragraph (4) or (6) of sec-  
5 tion 454” and inserting “section 454(4)”.

6 **SEC. 7302. DISTRIBUTION OF CHILD SUPPORT COLLEC-**  
7 **TIONS.**

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

10 **“SEC. 457. DISTRIBUTION OF COLLECTED SUPPORT.**

11 “(a) **IN GENERAL.**—An amount collected on behalf  
12 of a family as support by a State pursuant to a plan ap-  
13 proved under this part shall be distributed as follows:

14 “(1) **FAMILIES RECEIVING ASSISTANCE.**—In the  
15 case of a family receiving assistance from the State,  
16 the State shall—

17 “(A) retain, or distribute to the family, the  
18 State share of the amount so collected; and

19 “(B) pay to the Federal Government the  
20 Federal share of the amount so collected.

21 “(2) **FAMILIES THAT FORMERLY RECEIVED AS-**  
22 **SISTANCE.**—In the case of a family that formerly re-  
23 ceived assistance from the State:

24 “(A) **CURRENT SUPPORT PAYMENTS.**—The  
25 State shall, with regard to amounts collected



1           which represent amounts owed for the current  
2           month, distribute the amounts so collected to  
3           the family.

4           “(B) PAYMENT OF ARREARAGES.—The  
5           State shall, with regard to amounts collected  
6           which exceed amounts owed for the current  
7           month, distribute the amounts so collected as  
8           follows:

9                   “(i) DISTRIBUTION TO THE FAMILY  
10                   TO SATISFY ARREARAGES THAT ACCRUED  
11                   AFTER THE FAMILY RECEIVED ASSIST-  
12                   ANCE.—The State shall distribute the  
13                   amount so collected to the family to the ex-  
14                   tent necessary to satisfy any support ar-  
15                   rearages with respect to the family that ac-  
16                   crued after the family stopped receiving as-  
17                   sistance from the State.

18                   “(ii) DISTRIBUTION TO THE FAMILY  
19                   TO SATISFY ARREARAGES THAT ACCRUED  
20                   BEFORE OR WHILE THE FAMILY RECEIVED  
21                   ASSISTANCE TO THE EXTENT PAYMENTS  
22                   EXCEED ASSISTANCE RECEIVED.—In the  
23                   case of arrearages of support obligations  
24                   with respect to the family that were as-  
25                   signed to the State making or receiving the

1 collection, as a condition of receiving as-  
2 sistance from the State, and which accrued  
3 before or while the family received such as-  
4 sistance, the State may retain all or a part  
5 of the State share and if the State does so  
6 retain, shall retain and pay to the Federal  
7 Government the Federal share of amounts  
8 so collected, to the extent the amount so  
9 retained does not exceed the amount of as-  
10 sistance provided to the family by the  
11 State.

12 “(iii) DISTRIBUTION OF THE REMAIN-  
13 DER TO THE FAMILY.—To the extent that  
14 neither clause (i) nor clause (ii) applies to  
15 the amount so collected, the State shall  
16 distribute the amount to the family.

17 “(3) FAMILIES THAT NEVER RECEIVED ASSIST-  
18 ANCE.—In the case of any other family, the State  
19 shall distribute the amount so collected to the fam-  
20 ily.

21 “(4) FAMILIES UNDER CERTAIN AGREE-  
22 MENTS.—In the case of a family receiving assistance  
23 from an Indian tribe, distribute the amount so col-  
24 lected pursuant to an agreement entered into pursu-  
25 ant to a State plan under section 454(32).

1       “(b) TRANSITION RULE.—Any rights to support obli-  
2 gations which were assigned to a State as a condition of  
3 receiving assistance from the State under part A before  
4 the effective date of the Balanced Budget Reconciliation  
5 Act of 1995 shall remain assigned after such date.

6       “(c) DEFINITIONS.—As used in subsection (a):

7           “(1) ASSISTANCE.—The term ‘assistance from  
8 the State’ means—

9               “(A) assistance under the State program  
10 funded under part A or under the State plan  
11 approved under part A of this title (as in effect  
12 before October 1, 1995); or

13               “(B) benefits under the State plan ap-  
14 proved under part E of this title.

15           “(2) FEDERAL SHARE.—The term ‘Federal  
16 share’ means, with respect to an amount collected by  
17 the State to satisfy a support obligation owed to a  
18 family for a time period—

19               “(A) the greatest Federal medical assist-  
20 ance percentage in effect for the State for fiscal  
21 year 1995 or any succeeding fiscal year; or

22               “(B) if support is not owed to the family  
23 for any month for which the family received aid  
24 to families with dependent children under the  
25 State plan approved under part A of this title

1 (as in effect before October 1, 1995), the Fed-  
2 eral reimbursement percentage for the fiscal  
3 year in which the time period occurs.

4 “(3) FEDERAL MEDICAL ASSISTANCE PERCENT-  
5 AGE.—The term ‘Federal medical assistance per-  
6 centage’ means—

7 “(A) the Federal medical assistance per-  
8 centage (as defined in section 2122(c)) in the  
9 case of any State for which subparagraph (B)  
10 does not apply; or

11 “(B) the Federal medical assistance per-  
12 centage (as defined in section 1118), in the case  
13 of Puerto Rico, the Virgin Islands, Guam, and  
14 American Samoa.

15 “(4) FEDERAL REIMBURSEMENT PERCENT-  
16 AGE.—The term ‘Federal reimbursement percentage’  
17 means, with respect to a fiscal year—

18 “(A) the total amount paid to the State  
19 under section 403 for the fiscal year; divided by

20 “(B) the total amount expended by the  
21 State to carry out the State program under  
22 part A during the fiscal year.

23 “(5) STATE SHARE.—The term ‘State share’  
24 means 100 percent minus the Federal share.”.

1 (b) CONFORMING AMENDMENT.—Section 464(a)(1)  
2 (42 U.S.C. 664(a)(1)) is amended by striking “section  
3 457(b)(4) or (d)(3)” and inserting “section 457”.

4 (c) CLERICAL AMENDMENTS.—Section 454 (42  
5 U.S.C. 654) is amended—

6 (1) in paragraph (11)—

7 (A) by striking “(11)” and inserting  
8 “(11)(A)”; and

9 (B) by inserting after the semicolon “and”;  
10 and

11 (2) by redesignating paragraph (12) as sub-  
12 paragraph (B) of paragraph (11).

13 (d) EFFECTIVE DATE.—

14 (1) GENERAL RULE.—Except as provided in  
15 paragraphs (2) and (3), the amendment made by  
16 subsection (a) shall become effective on October 1,  
17 1999.

18 (2) EARLIER EFFECTIVE DATE FOR RULES RE-  
19 LATING TO DISTRIBUTION OF SUPPORT COLLECTED  
20 FOR FAMILIES RECEIVING ASSISTANCE.—Section  
21 457(a)(1) of the Social Security Act, as added by  
22 the amendment made by subsection (a), shall be-  
23 come effective on October 1, 1995.

24 (3) SPECIAL RULE.—A State may elect to have  
25 the amendment made by subsection (a) become ef-

1       fective on a date earlier than October 1, 1999, which  
2       date shall coincide with the operation of the single  
3       statewide automated data processing and informa-  
4       tion retrieval system required by section 454A of the  
5       Social Security Act (as added by section 7344(a)(2))  
6       and the State disbursement unit required by section  
7       454B of the Social Security Act (as added by section  
8       7312(b)), and the existence of State requirements  
9       for assignment of support as a condition of eligibility  
10      for assistance under part A of the Social Security  
11      Act (as added by subtitle C).

12           (4) CLERICAL AMENDMENTS.—The amend-  
13      ments made by subsection (b) shall become effective  
14      on October 1, 1995.

15 **SEC. 7303. RIGHTS TO NOTIFICATION AND HEARINGS.**

16      (a) IN GENERAL.—Section 454 (42 U.S.C. 654), as  
17      amended by section 7302(b), is amended by inserting after  
18      paragraph (11) the following new paragraph:

19           “(12) establish procedures to provide that—

20                   “(A) individuals who are applying for or  
21                   receiving services under this part, or are parties  
22                   to cases in which services are being provided  
23                   under this part—

1                   “(i) receive notice of all proceedings in  
2                   which support obligations might be estab-  
3                   lished or modified; and

4                   “(ii) receive a copy of any order estab-  
5                   lishing or modifying a child support obliga-  
6                   tion, or (in the case of a petition for modi-  
7                   fication) a notice of determination that  
8                   there should be no change in the amount  
9                   of the child support award, within 14 days  
10                  after issuance of such order or determina-  
11                  tion; and

12                  “(B) individuals applying for or receiving  
13                  services under this part have access to a fair  
14                  hearing or other formal complaint procedure  
15                  that meets standards established by the Sec-  
16                  retary and ensures prompt consideration and  
17                  resolution of complaints (but the resort to such  
18                  procedure shall not stay the enforcement of any  
19                  support order);”.

20                  (b) **EFFECTIVE DATE.**—The amendment made by  
21                  subsection (a) shall become effective on October 1, 1997.

22                  **SEC. 7304. PRIVACY SAFEGUARDS.**

23                  (a) **STATE PLAN REQUIREMENT.**—Section 454 (42  
24                  U.S.C. 654), as amended by section 7301(b), is amend-  
25                  ed—

1 (1) by striking “and” at the end of paragraph  
2 (24);

3 (2) by striking the period at the end of para-  
4 graph (25) and inserting “; and”; and

5 (3) by adding after paragraph (25) the follow-  
6 ing new paragraph:

7 “(26) will have in effect safeguards, applicable  
8 to all confidential information handled by the State  
9 agency, that are designed to protect the privacy  
10 rights of the parties, including—

11 “(A) safeguards against unauthorized use  
12 or disclosure of information relating to proceed-  
13 ings or actions to establish paternity, or to es-  
14 tablish or enforce support;

15 “(B) prohibitions against the release of in-  
16 formation on the whereabouts of 1 party to an-  
17 other party against whom a protective order  
18 with respect to the former party has been en-  
19 tered; and

20 “(C) prohibitions against the release of in-  
21 formation on the whereabouts of 1 party to an-  
22 other party if the State has reason to believe  
23 that the release of the information may result  
24 in physical or emotional harm to the former  
25 party.”.



1 (b) EFFECTIVE DATE.—The amendment made by  
2 subsection (a) shall become effective on October 1, 1997.

## 3 CHAPTER 2—LOCATE AND CASE

### 4 TRACKING

#### 5 SEC. 7311. STATE CASE REGISTRY.

6 Section 454A, as added by section 7344(a)(2), is  
7 amended by adding at the end the following new sub-  
8 sections:

9 “(e) STATE CASE REGISTRY.—

10 “(1) CONTENTS.—The automated system re-  
11 quired by this section shall include a registry (which  
12 shall be known as the ‘State case registry’) that con-  
13 tains records with respect to—

14 “(A) each case in which services are being  
15 provided by the State agency under the State  
16 plan approved under this part; and

17 “(B) each support order established or  
18 modified in the State on or after October 1,  
19 1998.

20 “(2) LINKING OF LOCAL REGISTRIES.—The  
21 State case registry may be established by linking  
22 local case registries of support orders through an  
23 automated information network, subject to this sec-  
24 tion.

1           “(3) USE OF STANDARDIZED DATA ELE-  
2           MENTS.—Such records shall use standardized data  
3           elements for both parents (such as names, social se-  
4           curity numbers and other uniform identification  
5           numbers, dates of birth, and case identification  
6           numbers), and contain such other information (such  
7           as on-case status) as the Secretary may require.

8           “(4) PAYMENT RECORDS.—Each case record in  
9           the State case registry with respect to which services  
10          are being provided under the State plan approved  
11          under this part and with respect to which a support  
12          order has been established shall include a record  
13          of—

14                 “(A) the amount of monthly (or other peri-  
15                 odic) support owed under the order, and other  
16                 amounts (including arrearages, interest or late  
17                 payment penalties, and fees) due or overdue  
18                 under the order;

19                 “(B) any amount described in subpara-  
20                 graph (A) that has been collected;

21                 “(C) the distribution of such collected  
22                 amounts;

23                 “(D) the birth date of any child for whom  
24                 the order requires the provision of support; and

1           “(E) the amount of any lien imposed with  
2           respect to the order pursuant to section  
3           466(a)(4).

4           “(5) UPDATING AND MONITORING.—The State  
5           agency operating the automated system required by  
6           this section shall promptly establish and maintain,  
7           and regularly monitor, case records in the State case  
8           registry with respect to which services are being pro-  
9           vided under the State plan approved under this part,  
10          on the basis of—

11           “(A) information on administrative actions  
12           and administrative and judicial proceedings and  
13           orders relating to paternity and support;

14           “(B) information obtained from compari-  
15           son with Federal, State, or local sources of in-  
16           formation;

17           “(C) information on support collections  
18           and distributions; and

19           “(D) any other relevant information.

20          “(f) INFORMATION COMPARISONS AND OTHER DIS-  
21          CLOSURES OF INFORMATION.—The State shall use the  
22          automated system required by this section to extract infor-  
23          mation from (at such times, and in such standardized for-  
24          mat or formats, as may be required by the Secretary), to  
25          share and compare information with, and to receive infor-

1 mation from, other data bases and information compari-  
2 son services, in order to obtain (or provide) information  
3 necessary to enable the State agency (or the Secretary or  
4 other State or Federal agencies) to carry out this part,  
5 subject to section 6103 of the Internal Revenue Code of  
6 1986. Such information comparison activities shall include  
7 the following:

8           “(1) FEDERAL CASE REGISTRY OF CHILD SUP-  
9           PORT ORDERS.—Furnishing to the Federal Case  
10          Registry of Child Support Orders established under  
11          section 453(h) (and update as necessary, with infor-  
12          mation including notice of expiration of orders) the  
13          minimum amount of information on child support  
14          cases recorded in the State case registry that is nec-  
15          essary to operate the registry (as specified by the  
16          Secretary in regulations).

17           “(2) FEDERAL PARENT LOCATOR SERVICE.—  
18          Exchanging information with the Federal Parent  
19          Locator Service for the purposes specified in section  
20          453.

21           “(3) TEMPORARY FAMILY ASSISTANCE AND  
22          MEDICAID AGENCIES.—Exchanging information with  
23          State agencies (of the State and of other States) ad-  
24          ministering programs funded under part A, pro-  
25          grams operated under State plans under title XXI,

1 and other programs designated by the Secretary, as  
 2 necessary to perform State agency responsibilities  
 3 under this part and under such programs.

4 “(4) INTRASTATE AND INTERSTATE INFORMA-  
 5 TION COMPARISONS.—Exchanging information with  
 6 other agencies of the State, agencies of other States,  
 7 and interstate information networks, as necessary  
 8 and appropriate to carry out (or assist other States  
 9 to carry out) the purposes of this part.”.

10 **SEC. 7312. COLLECTION AND DISBURSEMENT OF SUPPORT**  
 11 **PAYMENTS.**

12 (a) STATE PLAN REQUIREMENT.—Section 454 (42  
 13 U.S.C. 654), as amended by sections 7301(b) and  
 14 7304(a), is amended—

15 (1) by striking “and” at the end of paragraph  
 16 (25);

17 (2) by striking the period at the end of para-  
 18 graph (26) and inserting “; and”; and

19 (3) by adding after paragraph (26) the follow-  
 20 ing new paragraph:

21 “(27) provide that, on and after October 1,  
 22 1998, the State agency will—

23 “(A) operate a State disbursement unit in  
 24 accordance with section 454B; and

1           “(B) have sufficient State staff (consisting  
2           of State employees), and (at State option) pri-  
3           vate or governmental contractors reporting di-  
4           rectly to the State agency, to—

5                   “(i) provide automated monitoring  
6                   and enforcement of support collections  
7                   through the unit (including carrying out  
8                   the automated data processing responsibil-  
9                   ities described in section 454A(g)); and

10                   “(ii) take the actions described in sec-  
11                   tion 466(c)(1) in appropriate cases.”.

12           (b) ESTABLISHMENT OF STATE DISBURSEMENT  
13 UNIT.—Part D of title IV (42 U.S.C. 651–669), as  
14 amended by section 7344(a)(2), is amended by inserting  
15 after section 454A the following new section:

16 **“SEC. 454B. COLLECTION AND DISBURSEMENT OF SUP-**  
17 **PORT PAYMENTS.**

18           “(a) STATE DISBURSEMENT UNIT.—

19                   “(1) IN GENERAL.—In order for a State to  
20                   meet the requirements of this section, the State  
21                   agency must establish and operate a unit (which  
22                   shall be known as the ‘State disbursement unit’) for  
23                   the collection and disbursement of payments under  
24                   support orders in all cases being enforced by the  
25                   State pursuant to section 454(4).

1           “(2) OPERATION.—The State disbursement  
2 unit shall be operated—

3                   “(A) directly by the State agency (or 2 or  
4 more State agencies under a regional coopera-  
5 tive agreement), or (to the extent appropriate)  
6 by a contractor responsible directly to the State  
7 agency; and

8                   “(B) in coordination with the automated  
9 system established by the State pursuant to  
10 section 454A.

11           “(3) LINKING OF LOCAL DISBURSEMENT  
12 UNITS.—The State disbursement unit may be estab-  
13 lished by linking local disbursement units through  
14 an automated information network, subject to this  
15 section. The Secretary must agree that the system  
16 will not cost more nor take more time to establish  
17 or operate than a centralized system. In addition,  
18 employers shall be given 1 location to which income  
19 withholding is sent.

20           “(b) REQUIRED PROCEDURES.—The State disburse-  
21 ment unit shall use automated procedures, electronic proc-  
22 esses, and computer-driven technology to the maximum  
23 extent feasible, efficient, and economical, for the collection  
24 and disbursement of support payments, including proce-  
25 dures—

1           “(1) for receipt of payments from parents, em-  
2           ployers, and other States, and for disbursements to  
3           custodial parents and other obligees, the State agen-  
4           cy, and the agencies of other States;

5           “(2) for accurate identification of payments;

6           “(3) to ensure prompt disbursement of the cus-  
7           todial parent’s share of any payment; and

8           “(4) to furnish to any parent, upon request,  
9           timely information on the current status of support  
10          payments under an order requiring payments to be  
11          made by or to the parent.

12          “(c) TIMING OF DISBURSEMENTS.—

13                 “(1) IN GENERAL.—Except as provided in para-  
14                 graph (2), the State disbursement unit shall distrib-  
15                 ute all amounts payable under section 457(a) within  
16                 2 business days after receipt from the employer or  
17                 other source of periodic income, if sufficient infor-  
18                 mation identifying the payee is provided.

19                 “(2) PERMISSIVE RETENTION OF ARREAR-  
20                 AGES.—The State disbursement unit may delay the  
21                 distribution of collections toward arrearages until  
22                 the resolution of any timely appeal with respect to  
23                 such arrearages.



1       “(d) BUSINESS DAY DEFINED.—As used in this sec-  
2 tion, the term ‘business day’ means a day on which State  
3 offices are open for regular business.”.

4       (c) USE OF AUTOMATED SYSTEM.—Section 454A, as  
5 added by section 7344(a)(2) and as amended by section  
6 7311, is amended by adding at the end the following new  
7 subsection:

8       “(g) COLLECTION AND DISTRIBUTION OF SUPPORT  
9 PAYMENTS.—

10           “(1) IN GENERAL.—The State shall use the  
11 automated system required by this section, to the  
12 maximum extent feasible, to assist and facilitate the  
13 collection and disbursement of support payments  
14 through the State disbursement unit operated under  
15 section 454B, through the performance of functions,  
16 including, at a minimum—

17           “(A) transmission of orders and notices to  
18 employers (and other debtors) for the withhold-  
19 ing of wages and other income—

20           “(i) within 2 business days after re-  
21 ceipt from a court, another State, an em-  
22 ployer, the Federal Parent Locator Service,  
23 or another source recognized by the State  
24 of notice of, and the income source subject  
25 to, such withholding; and

1                   “(ii) using uniform formats prescribed  
2                   by the Secretary;

3                   “(B) ongoing monitoring to promptly iden-  
4                   tify failures to make timely payment of support;  
5                   and

6                   “(C) automatic use of enforcement proce-  
7                   dures (including procedures authorized pursu-  
8                   ant to section 466(c)) where payments are not  
9                   timely made.

10                  “(2) BUSINESS DAY DEFINED.—As used in  
11                  paragraph (1), the term ‘business day’ means a day  
12                  on which State offices are open for regular busi-  
13                  ness.”.

14                  (d) EFFECTIVE DATE.—The amendments made by  
15                  this section shall become effective on October 1, 1998.

16   **SEC. 7313. STATE DIRECTORY OF NEW HIRES.**

17                  (a) STATE PLAN REQUIREMENT.—Section 454 (42  
18   U.S.C. 654), as amended by sections 7301(b), 7304(a)  
19   and 7312(a), is amended—

20                   (1) by striking “and” at the end of paragraph  
21                   (26);

22                   (2) by striking the period at the end of para-  
23                   graph (27) and inserting “; and”; and

24                   (3) by adding after paragraph (27) the follow-  
25                   ing new paragraph:

1           “(28) provide that, on and after October 1,  
2           1997, the State will operate a State Directory of  
3           New Hires in accordance with section 453A.”.

4           (b) STATE DIRECTORY OF NEW HIRES.—Part D of  
5 title IV (42 U.S.C. 651–669) is amended by inserting  
6 after section 453 the following new section:

7           **“SEC. 453A. STATE DIRECTORY OF NEW HIRES.**

8           “(a) ESTABLISHMENT.—

9           “(1) IN GENERAL.—Not later than October 1,  
10           1997, each State shall establish an automated direc-  
11           tory (to be known as the ‘State Directory of New  
12           Hires’) which shall contain information supplied in  
13           accordance with subsection (b) by employers on each  
14           newly hired employee.

15           “(2) DEFINITIONS.—As used in this section:

16           “(A) EMPLOYEE.—The term ‘employee’—

17           “(i) means an individual who is an  
18           employee within the meaning of chapter 24  
19           of the Internal Revenue Code of 1986; and

20           “(ii) does not include an employee of  
21           a Federal or State agency performing in-  
22           telligence or counterintelligence functions,  
23           if the head of such agency has determined  
24           that reporting pursuant to paragraph (1)  
25           with respect to the employee could endan-

1           ger the safety of the employee or com-  
2           promise an ongoing investigation or intel-  
3           ligence mission.

4           “(B) EMPLOYER.—The term ‘employer’ in-  
5           cludes—

6                   “(i) any governmental entity, and

7                   “(ii) any labor organization.

8           “(C) LABOR ORGANIZATION.—The term  
9           ‘labor organization’ shall have the meaning  
10          given such term in section 2(5) of the National  
11          Labor Relations Act, and includes any entity  
12          (also known as a ‘hiring hall’) which is used by  
13          the organization and an employer to carry out  
14          requirements described in section 8(f)(3) of  
15          such Act of an agreement between the organiza-  
16          tion and the employer.

17          “(b) EMPLOYER INFORMATION.—

18                  “(1) REPORTING REQUIREMENT.—

19                   “(A) IN GENERAL.—Except as provided in  
20                  subparagraphs (B) and (C), each employer shall  
21                  furnish to the Directory of New Hires of the  
22                  State in which a newly hired employee works, a  
23                  report that contains the name, address, and so-  
24                  cial security number of the employee, and the  
25                  name of, and identifying number assigned

1 under section 6109 of the Internal Revenue  
2 Code of 1986 to, the employer.

3 “(B) MULTISTATE EMPLOYERS.—An em-  
4 ployer that has employees who are employed in  
5 2 or more States and that transmits reports  
6 magnetically or electronically may comply with  
7 subparagraph (A) by designating 1 State in  
8 which such employer has employees to which it  
9 will transmit the report described in subpara-  
10 graph (A), and transmitting such report to such  
11 State. Any employer that transmits reports pur-  
12 suant to this subparagraph shall notify the Sec-  
13 retary in writing as to which State such em-  
14 ployer designates for the purpose of sending re-  
15 ports.

16 “(C) FEDERAL GOVERNMENT EMPLOY-  
17 ERS.—Any department, agency, or instrumen-  
18 tality of the United States shall comply with  
19 subparagraph (A) by transmitting the report  
20 described in subparagraph (A) to the National  
21 Directory of New Hires established pursuant to  
22 section 453.

23 “(2) TIMING OF REPORT.—The report required  
24 by paragraph (1) with respect to an employee shall  
25 be made not later than the later of—

1           “(A) 30 days after the date the employer  
2 hires the employee; or

3           “(B) in the case of an employer that re-  
4 ports by magnetic or electronic means, the 1st  
5 business day of the week following the date on  
6 which the employee 1st receives wages or other  
7 compensation from the employer.

8           “(c) REPORTING FORMAT AND METHOD.—Each re-  
9 port required by subsection (b) shall be made on a  
10 W-4 form and may be transmitted by 1st class mail, mag-  
11 netically, or electronically.

12           “(d) CIVIL MONEY PENALTIES ON NONCOMPLYING  
13 EMPLOYERS.—The State shall have the option to set a  
14 State civil money penalty which shall be less than—

15           “(1) \$25; or

16           “(2) \$500 if, under State law, the failure is the  
17 result of a conspiracy between the employer and the  
18 employee to not supply the required report or to  
19 supply a false or incomplete report.

20           “(e) ENTRY OF EMPLOYER INFORMATION.—Infor-  
21 mation shall be entered into the data base maintained by  
22 the State Directory of New Hires within 5 business days  
23 of receipt from an employer pursuant to subsection (b).

24           “(f) INFORMATION COMPARISONS.—

1           “(1) IN GENERAL.—Not later than October 1,  
2           1998, an agency designated by the State shall, di-  
3           rectly or by contract, conduct automated compari-  
4           sons of the social security numbers reported by em-  
5           ployers pursuant to subsection (b) and the social se-  
6           curity numbers appearing in the records of the State  
7           case registry for cases being enforced under the  
8           State plan.

9           “(2) NOTICE OF MATCH.—When an information  
10          comparison conducted under paragraph (1) reveals a  
11          match with respect to the social security number of  
12          an individual required to provide support under a  
13          support order, the State Directory of New Hires  
14          shall provide the agency administering the State  
15          plan approved under this part of the appropriate  
16          State with the name, address, and social security  
17          number of the employee to whom the social security  
18          number is assigned, and the name of, and identify-  
19          ing number assigned under section 6109 of the In-  
20          ternal Revenue Code of 1986 to, the employer.

21          “(g) TRANSMISSION OF INFORMATION.—

22          “(1) TRANSMISSION OF WAGE WITHHOLDING  
23          NOTICES TO EMPLOYERS.—Within 2 business days  
24          after the date information regarding a newly hired  
25          employee is entered into the State Directory of New

1 Hires, the State agency enforcing the employee's  
2 child support obligation shall transmit a notice to  
3 the employer of the employee directing the employer  
4 to withhold from the wages of the employee an  
5 amount equal to the monthly (or other periodic)  
6 child support obligation of the employee, unless the  
7 employee's wages are not subject to withholding pur-  
8 suant to section 466(b)(3).

9           “(2) TRANSMISSIONS TO THE NATIONAL DIREC-  
10 TORY OF NEW HIRES.—

11           “(A) NEW HIRE INFORMATION.—Within 2  
12 business days after the date information re-  
13 garding a newly hired employee is entered into  
14 the State Directory of New Hires, the State Di-  
15 rectory of New Hires shall furnish the informa-  
16 tion to the National Directory of New Hires.

17           “(B) WAGE AND UNEMPLOYMENT COM-  
18 PENSATION INFORMATION.—The State Direc-  
19 tory of New Hires shall, on a quarterly basis,  
20 furnish to the National Directory of New Hires  
21 extracts of the reports required under section  
22 303(a)(6) to be made to the Secretary of Labor  
23 concerning the wages and unemployment com-  
24 pensation paid to individuals, by such dates, in  
25 such format, and containing such information



1 as the Secretary of Health and Human Services  
2 shall specify in regulations.

3 “(3) BUSINESS DAY DEFINED.—As used in this  
4 subsection, the term ‘business day’ means a day on  
5 which State offices are open for regular business.

6 “(h) OTHER USES OF NEW HIRE INFORMATION.—

7 “(1) LOCATION OF CHILD SUPPORT OBLI-  
8 GORS.—The agency administering the State plan ap-  
9 proved under this part shall use information received  
10 pursuant to subsection (f)(2) to locate individuals  
11 for purposes of establishing paternity and establish-  
12 ing, modifying, and enforcing child support obliga-  
13 tions.

14 “(2) VERIFICATION OF ELIGIBILITY FOR CER-  
15 TAIN PROGRAMS.—A State agency responsible for  
16 administering a program specified in section 1137(b)  
17 shall have access to information reported by employ-  
18 ers pursuant to subsection (b) of this section for  
19 purposes of verifying eligibility for the program.

20 “(3) ADMINISTRATION OF EMPLOYMENT SECUR-  
21 ITY AND WORKERS’ COMPENSATION.—State agen-  
22 cies operating employment security and workers’  
23 compensation programs shall have access to informa-  
24 tion reported by employers pursuant to subsection

1 (b) for the purposes of administering such pro-  
2 grams.”.

3 (c) QUARTERLY WAGE REPORTING.—Section  
4 1137(a)(3) (42 U.S.C. 1320b-7(a)(3)) is amended—

5 (1) by inserting “(including State and local gov-  
6 ernmental entities)” after “employers”; and

7 (2) by inserting “, and except that no report  
8 shall be filed with respect to an employee of a State  
9 agency performing intelligence or counterintelligence  
10 functions, if the head of such agency has determined  
11 that filing such a report could endanger the safety  
12 of the employee or compromise an ongoing investiga-  
13 tion or intelligence mission” after “paragraph (2)”.

14 **SEC. 7314. AMENDMENTS CONCERNING INCOME WITH-**  
15 **HOLDING.**

16 (a) MANDATORY INCOME WITHHOLDING.—

17 (1) IN GENERAL.—Section 466(a)(1) (42  
18 U.S.C. 666(a)(1)) is amended to read as follows:

19 “(1)(A) Procedures described in subsection (b)  
20 for the withholding from income of amounts payable  
21 as support in cases subject to enforcement under the  
22 State plan.

23 “(B) Procedures under which the wages of a  
24 person with a support obligation imposed by a sup-  
25 port order issued (or modified) in the State before

1       October 1, 1996, if not otherwise subject to with-  
2       holding under subsection (b), shall become subject to  
3       withholding as provided in subsection (b) if arrear-  
4       ages occur, without the need for a judicial or admin-  
5       istrative hearing.”.

6               (2) CONFORMING AMENDMENTS.—

7               (A) Section 466(b) (42 U.S.C. 666(b)) is  
8       amended in the matter preceding paragraph  
9       (1), by striking “subsection (a)(1)” and insert-  
10      ing “subsection (a)(1)(A)”.

11              (B) Section 466(b)(4) (42 U.S.C.  
12      666(b)(4)) is amended to read as follows:

13              “(4)(A) Such withholding must be carried out  
14      in full compliance with all procedural due process re-  
15      quirements of the State, and the State must send  
16      notice to each absent parent to whom paragraph (1)  
17      applies—

18              “(i) that the withholding has commenced;

19              and

20              “(ii) of the procedures to follow if the ab-  
21      sent parent desires to contest such withholding  
22      on the grounds that the withholding or the  
23      amount withheld is improper due to a mistake  
24      of fact.

1           “(B) The notice under subparagraph (A) shall  
2 include the information provided to the employer  
3 under paragraph (6)(A).”.

4           (C) Section 466(b)(5) (42 U.S.C.  
5 666(b)(5)) is amended by striking all that fol-  
6 lows “administered by” and inserting “the  
7 State through the State disbursement unit es-  
8 tablished pursuant to section 454B, in accord-  
9 ance with the requirements of section 454B.”.

10          (D) Section 466(b)(6)(A) (42 U.S.C.  
11 666(b)(6)(A)) is amended—

12           (i) in clause (i), by striking “to the  
13 appropriate agency” and all that follows  
14 and inserting “to the State disbursement  
15 unit within 2 business days after the date  
16 the amount would (but for this subsection)  
17 have been paid or credited to the employee,  
18 for distribution in accordance with this  
19 part.”;

20           (ii) in clause (ii), by inserting “be in  
21 a standard format prescribed by the Sec-  
22 retary, and” after “shall”; and

23           (iii) by adding at the end the follow-  
24 ing new clause:

1           “(iii) As used in this subparagraph, the term  
2 ‘business day’ means a day on which State offices  
3 are open for regular business.”.

4           (E) Section 466(b)(6)(D) (42 U.S.C.  
5 666(b)(6)(D)) is amended by striking “any em-  
6 ployer” and all that follows and inserting “any  
7 employer who—

8           “(i) discharges from employment, refuses  
9 to employ, or takes disciplinary action against  
10 any absent parent subject to wage withholding  
11 required by this subsection because of the exist-  
12 ence of such withholding and the obligations or  
13 additional obligations which it imposes upon the  
14 employer; or

15           “(ii) fails to withhold support from wages,  
16 or to pay such amounts to the State disburse-  
17 ment unit in accordance with this subsection.”.

18           (F) Section 466(b) (42 U.S.C. 666(b)) is  
19 amended by adding at the end the following  
20 new paragraph:

21           “(11) Procedures under which the agency ad-  
22 ministering the State plan approved under this part  
23 may execute a withholding order through electronic  
24 means and without advance notice to the obligor.”.

1 (b) CONFORMING AMENDMENT.—Section 466(c) (42  
2 U.S.C. 666(c)) is repealed.

3 **SEC. 7315. LOCATOR INFORMATION FROM INTERSTATE**  
4 **NETWORKS.**

5 Section 466(a) (42 U.S.C. 666(a)) is amended by  
6 adding at the end the following new paragraph:

7 “(12) Procedures to ensure that all Federal and  
8 State agencies conducting activities under this part  
9 have access to any system used by the State to lo-  
10 cate an individual for purposes relating to motor ve-  
11 hicles or law enforcement.”.

12 **SEC. 7316. EXPANSION OF THE FEDERAL PARENT LOCATOR**  
13 **SERVICE.**

14 (a) EXPANDED AUTHORITY TO LOCATE INDIVID-  
15 UALS AND ASSETS.—Section 453 (42 U.S.C. 653) is  
16 amended—

17 (1) in subsection (a), by striking all that follows  
18 “subsection (c))” and inserting “, for the purpose of  
19 establishing parentage, establishing, setting the  
20 amount of, modifying, or enforcing child support ob-  
21 ligations, or enforcing child visitation orders—

22 “(1) information on, or facilitating the discov-  
23 ery of, the location of any individual—

24 “(A) who is under an obligation to pay  
25 child support or provide child visitation rights;

1           “(B) against whom such an obligation is  
2           sought;

3           “(C) to whom such an obligation is owed,  
4           including the individual’s social security number (or  
5           numbers), most recent address, and the name, ad-  
6           dress, and employer identification number of the in-  
7           dividual’s employer;

8           “(2) information on the individual’s wages (or  
9           other income) from, and benefits of, employment (in-  
10          cluding rights to or enrollment in group health care  
11          coverage); and

12          “(3) information on the type, status, location,  
13          and amount of any assets of, or debts owed by or  
14          to, any such individual.”; and

15          (2) in subsection (b), in the matter preceding  
16          paragraph (1), by striking “social security” and all  
17          that follows through “absent parent” and inserting  
18          “information described in subsection (a)”.

19          (b) AUTHORIZED PERSON FOR INFORMATION RE-  
20          GARDING VISITATION RIGHTS.—Section 453(c) (42  
21          U.S.C. 653(c)) is amended—

22                 (1) in paragraph (1), by striking “support” and  
23                 inserting “support or to seek to enforce orders pro-  
24                 viding child visitation rights”;

1           (2) in paragraph (2), by striking “, or any  
2           agent of such court; and” and inserting “or to issue  
3           an order against a resident parent for visitation  
4           rights, or any agent of such court;”;

5           (3) by striking the period at the end of para-  
6           graph (3) and inserting “; and”; and

7           (4) by adding at the end the following new  
8           paragraph:

9           “(4) the absent parent, only with regard to a  
10          court order against a resident parent for child visita-  
11          tion rights.”.

12          (c) REIMBURSEMENT FOR INFORMATION FROM FED-  
13          ERAL AGENCIES.—Section 453(e)(2) (42 U.S.C.  
14          653(e)(2)) is amended in the 4th sentence by inserting  
15          “in an amount which the Secretary determines to be rea-  
16          sonable payment for the information exchange (which  
17          amount shall not include payment for the costs of obtain-  
18          ing, compiling, or maintaining the information)” before  
19          the period.

20          (d) REIMBURSEMENT FOR REPORTS BY STATE  
21          AGENCIES.—Section 453 (42 U.S.C. 653) is amended by  
22          adding at the end the following new subsection:

23          “(g) The Secretary may reimburse Federal and State  
24          agencies for the costs incurred by such entities in furnish-  
25          ing information requested by the Secretary under this sec-



1 tion in an amount which the Secretary determines to be  
2 reasonable payment for the information exchange (which  
3 amount shall not include payment for the costs of obtain-  
4 ing, compiling, or maintaining the information).”.

5 (e) TECHNICAL AMENDMENTS.—

6 (1) Sections 452(a)(9), 453(a), 453(b), 463(a),  
7 463(e), and 463(f) (42 U.S.C. 652(a)(9), 653(a),  
8 653(b), 663(a), 663(e), and 663(f)) are each amend-  
9 ed by inserting “Federal” before “Parent” each  
10 place such term appears.

11 (2) Section 453 (42 U.S.C. 653) is amended in  
12 the heading by adding “FEDERAL” before “PAR-  
13 ENT”.

14 (f) NEW COMPONENTS.—Section 453 (42 U.S.C.  
15 653), as amended by subsection (d) of this section, is  
16 amended by adding at the end the following new sub-  
17 section:

18 “(h)(1) Not later than October 1, 1998, in order to  
19 assist States in administering programs under State plans  
20 approved under this part and programs funded under part  
21 A, and for the other purposes specified in this section, the  
22 Secretary shall establish and maintain in the Federal Par-  
23 ent Locator Service an automated registry (which shall be  
24 known as the ‘Federal Case Registry of Child Support Or-  
25 ders’), which shall contain abstracts of support orders and

1 other information described in paragraph (2) with respect  
2 to each case in each State case registry maintained pursu-  
3 ant to section 454A(e), as furnished (and regularly up-  
4 dated), pursuant to section 454A(f), by State agencies ad-  
5 ministering programs under this part.

6       “(2) The information referred to in paragraph (1)  
7 with respect to a case shall be such information as the  
8 Secretary may specify in regulations (including the names,  
9 social security numbers or other uniform identification  
10 numbers, and State case identification numbers) to iden-  
11 tify the individuals who owe or are owed support (or with  
12 respect to or on behalf of whom support obligations are  
13 sought to be established), and the State or States which  
14 have the case.

15       “(i)(1) In order to assist States in administering pro-  
16 grams under State plans approved under this part and  
17 programs funded under part A, and for the other purposes  
18 specified in this section, the Secretary shall, not later than  
19 October 1, 1996, establish and maintain in the Federal  
20 Parent Locator Service an automated directory to be  
21 known as the National Directory of New Hires, which  
22 shall contain the information supplied pursuant to section  
23 453A(g)(2).

1       “(2) Information shall be entered into the data base  
2 maintained by the National Directory of New Hires within  
3 2 business days of receipt pursuant to section 453A(g)(2).

4       “(3) The Secretary of the Treasury shall have access  
5 to the information in the National Directory of New Hires  
6 for purposes of administering section 32 of the Internal  
7 Revenue Code of 1986, or the advance payment of the  
8 earned income tax credit under section 3507 of such Code,  
9 and verifying a claim with respect to employment in a tax  
10 return.

11       “(4) The Secretary shall maintain within the Na-  
12 tional Directory of New Hires a list of multistate employ-  
13 ers that report information regarding newly hired employ-  
14 ees pursuant to section 453A(b)(1)(B), and the State  
15 which each such employer has designated to receive such  
16 information.

17       “(j)(1)(A) The Secretary shall transmit information  
18 on individuals and employers maintained under this sec-  
19 tion to the Social Security Administration to the extent  
20 necessary for verification in accordance with subparagraph  
21 (B).

22       “(B) The Social Security Administration shall verify  
23 the accuracy of, correct, or supply to the extent possible,  
24 and report to the Secretary, the following information sup-  
25 plied by the Secretary pursuant to subparagraph (A):

1           “(i) The name, social security number, and  
2           birth date of each such individual.

3           “(ii) The employer identification number of  
4           each such employer.

5           “(2) For the purpose of locating individuals in a pa-  
6           ternity establishment case or a case involving the estab-  
7           lishment, modification, or enforcement of a support order,  
8           the Secretary shall—

9           “(A) compare information in the National Di-  
10          rectory of New Hires against information in the sup-  
11          port case abstracts in the Federal Case Registry of  
12          Child Support Orders not less often than every 2  
13          business days; and

14          “(B) within 2 such days after such a compari-  
15          son reveals a match with respect to an individual, re-  
16          port the information to the State agency responsible  
17          for the case.

18          “(3) To the extent and with the frequency that the  
19          Secretary determines to be effective in assisting States to  
20          carry out their responsibilities under programs operated  
21          under this part and programs funded under part A, the  
22          Secretary shall—

23          “(A) compare the information in each compo-  
24          nent of the Federal Parent Locator Service main-  
25          tained under this section against the information in

1 each other such component (other than the compari-  
2 son required by paragraph (2)), and report instances  
3 in which such a comparison reveals a match with re-  
4 spect to an individual to State agencies operating  
5 such programs; and

6 “(B) disclose information in such registries to  
7 such State agencies.

8 “(4) The National Directory of New Hires shall pro-  
9 vide the Commissioner of Social Security with all informa-  
10 tion in the National Directory, which shall be used to de-  
11 termine the accuracy of payments under the supplemental  
12 security income program under title XVI and in connec-  
13 tion with benefits under title II.

14 “(5) The Secretary may provide access to information  
15 reported by employers pursuant to section 453A(b) for re-  
16 search purposes found by the Secretary to be likely to con-  
17 tribute to achieving the purposes of part A or this part,  
18 but without personal identifiers.

19 “(k)(1) The Secretary shall reimburse the Commis-  
20 sioner of Social Security, at a rate negotiated between the  
21 Secretary and the Commissioner, for the costs incurred  
22 by the Commissioner in performing the verification serv-  
23 ices described in subsection (j).

24 “(2) The Secretary shall reimburse costs incurred by  
25 State directories of new hires in furnishing information

1 as required by subsection (j)(3), at rates which the Sec-  
2 retary determines to be reasonable (which rates shall not  
3 include payment for the costs of obtaining, compiling, or  
4 maintaining such information).

5 “(3) A State or Federal agency that receives informa-  
6 tion from the Secretary pursuant to this section shall re-  
7 imburse the Secretary for costs incurred by the Secretary  
8 in furnishing the information, at rates which the Secretary  
9 determines to be reasonable (which rates shall include pay-  
10 ment for the costs of obtaining, verifying, maintaining,  
11 and comparing the information).

12 “(l) Information in the Federal Parent Locator Serv-  
13 ice, and information resulting from comparisons using  
14 such information, shall not be used or disclosed except as  
15 expressly provided in this section, subject to section 6103  
16 of the Internal Revenue Code of 1986.

17 “(m) The Secretary shall establish and implement  
18 safeguards with respect to the entities established under  
19 this section designed to—

20 “(1) ensure the accuracy and completeness of  
21 information in the Federal Parent Locator Service;  
22 and

23 “(2) restrict access to confidential information  
24 in the Federal Parent Locator Service to authorized

1 persons, and restrict use of such information to au-  
2 thorized purposes.

3 “(n) Each department, agency, and instrumentality  
4 of the United States shall on a quarterly basis report to  
5 the Federal Parent Locator Service the name and social  
6 security number of each employee and the wages paid to  
7 the employee during the previous quarter, except that no  
8 report shall be filed with respect to an employee of a de-  
9 partment, agency, or instrumentality performing intel-  
10 ligence or counterintelligence functions, if the head of such  
11 department, agency, or instrumentality has determined  
12 that filing such a report could endanger the safety of the  
13 employee or compromise an ongoing investigation or intel-  
14 ligence mission.”.

15 (f) CONFORMING AMENDMENTS.—

16 (1) TO PART D OF TITLE IV OF THE SOCIAL SE-  
17 CURITY ACT.—Section 454(8)(B) (42 U.S.C.  
18 654(8)(B)) is amended to read as follows:

19 “(B) the Federal Parent Locator Service  
20 established under section 453;”.

21 (2) TO FEDERAL UNEMPLOYMENT TAX ACT.—  
22 Section 3304(a)(16) of the Internal Revenue Code of  
23 1986 is amended—

24 (A) by striking “Secretary of Health, Edu-  
25 cation, and Welfare” each place such term ap-

1            appears and inserting “Secretary of Health and  
2            Human Services”;

3            (B) in subparagraph (B), by striking  
4            “such information” and all that follows and in-  
5            serting “information furnished under subpara-  
6            graph (A) or (B) is used only for the purposes  
7            authorized under such subparagraph;”;

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

10           (D) by redesignating subparagraph (B) as  
11           subparagraph (C); and

12           (E) by inserting after subparagraph (A)  
13           the following new subparagraph:

14           “(B) wage and unemployment compensa-  
15           tion information contained in the records of  
16           such agency shall be furnished to the Secretary  
17           of Health and Human Services (in accordance  
18           with regulations promulgated by such Sec-  
19           retary) as necessary for the purposes of the Na-  
20           tional Directory of New Hires established under  
21           section 453(i) of the Social Security Act, and”.

22           (3) TO STATE GRANT PROGRAM UNDER TITLE  
23           III OF THE SOCIAL SECURITY ACT.—Subsection (h)  
24           of section 303 (42 U.S.C. 503) is amended to read  
25           as follows:



1       “(h)(1) The State agency charged with the adminis-  
2 tration of the State law shall, on a reimbursable basis—

3           “(A) disclose quarterly, to the Secretary of  
4 Health and Human Services wage and claim infor-  
5 mation, as required pursuant to section 453(i)(1),  
6 contained in the records of such agency;

7           “(B) ensure that information provided pursuant  
8 to subparagraph (A) meets such standards relating  
9 to correctness and verification as the Secretary of  
10 Health and Human Services, with the concurrence  
11 of the Secretary of Labor, may find necessary; and

12           “(C) establish such safeguards as the Secretary  
13 of Labor determines are necessary to insure that in-  
14 formation disclosed under subparagraph (A) is used  
15 only for purposes of section 453(i)(1) in carrying out  
16 the child support enforcement program under title  
17 IV.

18       “(2) Whenever the Secretary of Labor, after reason-  
19 able notice and opportunity for hearing to the State agen-  
20 cy charged with the administration of the State law, finds  
21 that there is a failure to comply substantially with the re-  
22 quirements of paragraph (1), the Secretary of Labor shall  
23 notify such State agency that further payments will not  
24 be made to the State until the Secretary of Labor is satis-  
25 fied that there is no longer any such failure. Until the

1 Secretary of Labor is so satisfied, the Secretary shall  
2 make no future certification to the Secretary of the Treas-  
3 ury with respect to the State.

4 “(3) For purposes of this subsection—

5 “(A) the term ‘wage information’ means infor-  
6 mation regarding wages paid to an individual, the  
7 social security account number of such individual,  
8 and the name, address, State, and the Federal em-  
9 ployer identification number of the employer paying  
10 such wages to such individual; and

11 “(B) the term ‘claim information’ means infor-  
12 mation regarding whether an individual is receiving,  
13 has received, or has made application for, unemploy-  
14 ment compensation, the amount of any such com-  
15 pensation being received (or to be received by such  
16 individual), and the individual’s current (or most re-  
17 cent) home address.”.

18 **SEC. 7317. COLLECTION AND USE OF SOCIAL SECURITY**  
19 **NUMBERS FOR USE IN CHILD SUPPORT EN-**  
20 **FORCEMENT.**

21 (a) STATE LAW REQUIREMENT.—Section 466(a) (42  
22 U.S.C. 666(a)), as amended by section 7315, is amended  
23 by adding at the end the following new paragraph:

24 “(13) Procedures requiring that the social secu-  
25 rity number of—

1           “(A) any applicant for a professional li-  
2           cense, commercial driver’s license, occupational  
3           license, or marriage license be recorded on the  
4           application;

5           “(B) any individual who is subject to a di-  
6           vorce decree, support order, or paternity deter-  
7           mination or acknowledgment be placed in the  
8           records relating to the matter; and

9           “(C) any individual who has died be placed  
10          in the records relating to the death and be re-  
11          corded on the death certificate.

12          For purposes of subparagraph (A), if a State allows  
13          the use of a number other than the social security  
14          number, the State shall so advise any applicants.”.

15          (b)       CONFORMING        AMENDMENTS.—Section  
16          205(c)(2)(C) (42 U.S.C. 405(c)(2)(C)), as amended by  
17          section 321(a)(9) of the Social Security Independence and  
18          Program Improvements Act of 1994, is amended—

19                (1) in clause (i), by striking “may require” and  
20                inserting “shall require”;

21                (2) in clause (ii), by inserting after the 1st sen-  
22                tence the following: “In the administration of any  
23                law involving the issuance of a marriage certificate  
24                or license, each State shall require each party named  
25                in the certificate or license to furnish to the State

1 (or political subdivision thereof), or any State agen-  
2 cy having administrative responsibility for the law  
3 involved, the social security number of the party.”;

4 (3) in clause (ii), by inserting “or marriage cer-  
5 tificate” after “Such numbers shall not be recorded  
6 on the birth certificate”;

7 (4) in clause (vi), by striking “may” and insert-  
8 ing “shall”; and

9 (5) by adding at the end the following new  
10 clauses:

11 “(x) An agency of a State (or a politi-  
12 cal subdivision thereof) charged with the  
13 administration of any law concerning the  
14 issuance or renewal of a license, certificate,  
15 permit, or other authorization to engage in  
16 a profession, an occupation, or a commer-  
17 cial activity shall require all applicants for  
18 issuance or renewal of the license, certifi-  
19 cate, permit, or other authorization to pro-  
20 vide the applicant’s social security number  
21 to the agency for the purpose of admin-  
22 istering such laws, and for the purpose of  
23 responding to requests for information  
24 from an agency operating pursuant to part  
25 D of title IV.

1           “(xi) All divorce decrees, support or-  
2           ders, and paternity determinations issued,  
3           and all paternity acknowledgments made,  
4           in each State shall include the social secu-  
5           rity number of each party to the decree,  
6           order, determination, or acknowledgement  
7           in the records relating to the matter, for  
8           the purpose of responding to requests for  
9           information from an agency operating pur-  
10          suant to part D of title IV.”.

11           **CHAPTER 3—STREAMLINING AND**  
12           **UNIFORMITY OF PROCEDURES**

13          **SEC. 7321. ADOPTION OF UNIFORM STATE LAWS.**

14          Section 466 (42 U.S.C. 666) is amended by adding  
15          at the end the following new subsection:

16          “(f)(1) In order to satisfy section 454(20)(A) on or  
17          after January 1, 1997, each State must have in effect the  
18          Uniform Interstate Family Support Act, as approved by  
19          the National Conference of Commissioners on Uniform  
20          State Laws in August 1992 (with the modifications and  
21          additions specified in this subsection), and the procedures  
22          required to implement such Act.

23          “(2) The State law enacted pursuant to paragraph  
24          (1) may be applied to any case involving an order which

1 is established or modified in a State and which is sought  
2 to be modified or enforced in another State.

3 “(3) The State law enacted pursuant to paragraph  
4 (1) of this subsection shall contain the following provision  
5 in lieu of section 611(a)(1) of the Uniform Interstate  
6 Family Support Act:

7 “(1) the following requirements are met:

8 “(i) the child, the individual obligee, and  
9 the obligor—

10 “(I) do not reside in the issuing  
11 State; and

12 “(II) either reside in this State or  
13 are subject to the jurisdiction of this State  
14 pursuant to section 201; and

15 “(ii) in any case where another State is  
16 exercising or seeks to exercise jurisdiction to  
17 modify the order, the conditions of section 204  
18 are met to the same extent as required for pro-  
19 ceedings to establish orders; or’.

20 “(4) The State law enacted pursuant to paragraph  
21 (1) shall provide that, in any proceeding subject to the  
22 law, process may be served (and proved) upon persons in  
23 the State by any means acceptable in any State which is  
24 the initiating or responding State in the proceeding.”.

**1 CHAPTER 4—PATERNITY ESTABLISHMENT****2 SEC. 7331. STATE LAWS CONCERNING PATERNITY ESTAB-**  
**3 LISHMENT.**

4 (a) STATE LAWS REQUIRED.—Section 466(a)(5) (42  
5 U.S.C. 666(a)(5)) is amended to read as follows:

6 “(5)(A)(i) Procedures which permit the estab-  
7 lishment of the paternity of a child at any time be-  
8 fore the child attains 21 years of age.

9 “(ii) As of August 16, 1984, clause (i) shall  
10 also apply to a child for whom paternity has not  
11 been established or for whom a paternity action was  
12 brought but dismissed because a statute of limita-  
13 tions of less than 21 years was then in effect in the  
14 State.

15 “(B)(i) Procedures under which the State is re-  
16 quired, in a contested paternity case, unless other-  
17 wise barred by State law, to require the child and  
18 all other parties (other than individuals found under  
19 section 454(29) to have good cause for refusing to  
20 cooperate) to submit to genetic tests upon the re-  
21 quest of any such party if the request is supported  
22 by a sworn statement by the party—

23 “(I) alleging paternity, and setting forth  
24 facts establishing a reasonable possibility of the  
25 requisite sexual contact between the parties; or

1           “(II) denying paternity, and setting forth  
2 facts establishing a reasonable possibility of the  
3 nonexistence of sexual contact between the par-  
4 ties.

5           “(ii) Procedures which require the State agency  
6 in any case in which the agency orders genetic test-  
7 ing—

8           “(I) to pay costs of such tests, subject to  
9 recoupment (where the State so elects) from the  
10 alleged father if paternity is established; and

11           “(II) to obtain additional testing in any  
12 case where an original test result is contested,  
13 upon request and advance payment by the con-  
14 testant.

15           “(C)(i) Procedures for a simple civil process for  
16 voluntarily acknowledging paternity under which the  
17 State must provide that, before a mother and a pu-  
18 tative father can sign an acknowledgment of pater-  
19 nity, the mother and the putative father must be  
20 given notice, orally and in writing, of the alter-  
21 natives to, the legal consequences of, and the rights  
22 (including, if 1 parent is a minor, any rights af-  
23 farded due to minority status) and responsibilities  
24 that arise from, signing the acknowledgment.



1           “(ii) Such procedures must include a hospital-  
2           based program for the voluntary acknowledgment of  
3           paternity focusing on the period immediately before  
4           or after the birth of a child, subject to such good  
5           cause and other exceptions as the State shall estab-  
6           lish and taking into account the best interests of the  
7           child.

8           “(iii)(I) Such procedures must require the State  
9           agency responsible for maintaining birth records to  
10          offer voluntary paternity establishment services.

11          “(II)(aa) The Secretary shall prescribe regula-  
12          tions governing voluntary paternity establishment  
13          services offered by hospitals and birth record agen-  
14          cies.

15          “(bb) The Secretary shall prescribe regulations  
16          specifying the types of other entities that may offer  
17          voluntary paternity establishment services, and gov-  
18          erning the provision of such services, which shall in-  
19          clude a requirement that such an entity must use  
20          the same notice provisions used by, use the same  
21          materials used by, provide the personnel providing  
22          such services with the same training provided by,  
23          and evaluate the provision of such services in the  
24          same manner as the provision of such services is

1 evaluated by, voluntary paternity establishment pro-  
2 grams of hospitals and birth record agencies.

3 “(iv) Such procedures must require the State to  
4 develop and use an affidavit for the voluntary ac-  
5 knowledgment of paternity which includes the mini-  
6 mum requirements of the affidavit developed by the  
7 Secretary under section 452(a)(7) for the voluntary  
8 acknowledgment of paternity, and to give full faith  
9 and credit to such an affidavit signed in any other  
10 State according to its procedures.

11 “(D)(i) Procedures under which the name of  
12 the father shall be included on the record of birth  
13 of the child only—

14 “(I) if the father and mother have signed  
15 a voluntary acknowledgment of paternity; or

16 “(II) pursuant to an order issued in a judi-  
17 cial or administrative proceeding.

18 Nothing in this clause shall preclude a State agency  
19 from obtaining an admission of paternity from the  
20 father for submission in a judicial or administrative  
21 proceeding, or prohibit an order issued in a judicial  
22 or administrative proceeding which bases a legal  
23 finding of paternity on an admission of paternity by  
24 the father and any other additional showing required  
25 by State law.

1           “(ii) Procedures under which—

2                   “(I) a voluntary acknowledgment of pater-  
3                   nity is considered a legal finding of paternity,  
4                   subject to the right of any signatory to rescind  
5                   the acknowledgment within 60 days;

6                   “(II) after the 60-day period referred to in  
7                   subclause (I), a signed voluntary acknowledg-  
8                   ment of paternity may be challenged in court  
9                   only on the basis of fraud, duress, or material  
10                  mistake of fact, with the burden of proof upon  
11                  the challenger, and under which the legal re-  
12                  sponsibilities (including child support obliga-  
13                  tions) of any signatory arising from the ac-  
14                  knowledgment may not be suspended during the  
15                  challenge, except for good cause shown; and

16                  “(III) judicial or administrative proceed-  
17                  ings are not required or permitted to ratify an  
18                  unchallenged acknowledgment of paternity.

19                  “(E) Procedures under which judicial or admin-  
20                  istrative proceedings are not required or permitted  
21                  to ratify an unchallenged acknowledgment of pater-  
22                  nity.

23                  “(F) Procedures—

1           “(i) requiring the admission into evidence,  
2           for purposes of establishing paternity, of the re-  
3           sults of any genetic test that is—

4                   “(I) of a type generally acknowledged  
5                   as reliable by accreditation bodies des-  
6                   ignated by the Secretary; and

7                   “(II) performed by a laboratory ap-  
8                   proved by such an accreditation body;

9           “(ii) requiring an objection to genetic test-  
10          ing results to be made in writing not later than  
11          a specified number of days before any hearing  
12          at which the results may be introduced into evi-  
13          dence (or, at State option, not later than a  
14          specified number of days after receipt of the re-  
15          sults); and

16                   “(iii) making the test results admissible as  
17                   evidence of paternity without the need for foun-  
18                   dation testimony or other proof of authenticity  
19                   or accuracy, unless objection is made.

20           “(G) Procedures which create a rebuttable or,  
21          at the option of the State, conclusive presumption of  
22          paternity upon genetic testing results indicating a  
23          threshold probability that the alleged father is the  
24          father of the child.

1           “(H) Procedures requiring a default order to be  
2 entered in a paternity case upon a showing of service  
3 of process on the defendant and any additional  
4 showing required by State law.

5           “(I) Procedures providing that the parties to an  
6 action to establish paternity are not entitled to a  
7 trial by jury.

8           “(J) Procedures which require that a temporary  
9 order be issued, upon motion by a party, requiring  
10 the provision of child support pending an adminis-  
11 trative or judicial determination of parentage, where  
12 there is clear and convincing evidence of paternity  
13 (on the basis of genetic tests or other evidence).

14           “(K) Procedures under which bills for preg-  
15 nancy, childbirth, and genetic testing are admissible  
16 as evidence without requiring third-party foundation  
17 testimony, and shall constitute prima facie evidence  
18 of amounts incurred for such services or for testing  
19 on behalf of the child.

20           “(L) Procedures ensuring that the putative fa-  
21 ther has a reasonable opportunity to initiate a pater-  
22 nity action.

23           “(M) Procedures under which voluntary ac-  
24 knowledgments and adjudications of paternity by ju-  
25 dicial or administrative processes are filed with the

1 State registry of birth records for comparison with  
2 information in the State case registry.”.

3 (b) NATIONAL PATERNITY ACKNOWLEDGMENT AFFI-  
4 DAVIT.—Section 452(a)(7) (42 U.S.C. 652(a)(7)) is  
5 amended by inserting “, and develop an affidavit to be  
6 used for the voluntary acknowledgment of paternity which  
7 shall include the social security number of each parent”  
8 before the semicolon.

9 (c) TECHNICAL AMENDMENT.—Section 468 (42  
10 U.S.C. 668) is amended by striking “a simple civil process  
11 for voluntarily acknowledging paternity and”.

12 **SEC. 7332. OUTREACH FOR VOLUNTARY PATERNITY ESTAB-**  
13 **LISHMENT.**

14 Section 454(23) (42 U.S.C. 654(23)) is amended by  
15 inserting “and will publicize the availability and encourage  
16 the use of procedures for voluntary establishment of pater-  
17 nity and child support by means the State deems appro-  
18 priate” before the semicolon.

19 **SEC. 7333. COOPERATION BY APPLICANTS FOR AND RECIPI-**  
20 **ENTS OF TEMPORARY FAMILY ASSISTANCE.**

21 Section 454 (42 U.S.C. 654), as amended by sections  
22 7301(b), 7304(a), 7312(a), and 7313(a), is amended—

23 (1) by striking “and” at the end of paragraph  
24 (27);

1           (2) by striking the period at the end of para-  
2 graph (28) and inserting “; and”; and

3           (3) by inserting after paragraph (28) the fol-  
4 lowing new paragraph:

5           “(29) provide that the State agency responsible  
6 for administering the State plan—

7           “(A) shall make the determination (and re-  
8 determination at appropriate intervals) as to  
9 whether an individual who has applied for or is  
10 receiving assistance under the State program  
11 funded under part A or the State program  
12 under title XXI is cooperating in good faith  
13 with the State in establishing the paternity of,  
14 or in establishing, modifying, or enforcing a  
15 support order for, any child of the individual by  
16 providing the State agency with the name of,  
17 and such other information as the State agency  
18 may require with respect to, the noncustodial  
19 parent of the child, subject to such good cause  
20 and other exceptions as the State shall establish  
21 and taking into account the best interests of the  
22 child;

23           “(B) shall require the individual to supply  
24 additional necessary information and appear at  
25 interviews, hearings, and legal proceedings;

1           “(C) shall require the individual and the  
2 child to submit to genetic tests pursuant to ju-  
3 dicial or administrative order; and

4           “(D) shall promptly notify the individual  
5 and the State agency administering the State  
6 program funded under part A and the State  
7 agency administering the State program under  
8 title XXI of each such determination, and if  
9 noncooperation is determined, the basis there-  
10 fore.”.

11 **CHAPTER 5—PROGRAM ADMINISTRATION**  
12 **AND FUNDING**

13 **SEC. 7341. PERFORMANCE-BASED INCENTIVES AND PEN-**  
14 **ALTIES.**

15 (a) **INCENTIVE PAYMENTS.**—

16 (1) **IN GENERAL.**—Section 458 (42 U.S.C. 658)  
17 is amended—

18 (A) in subsection (a), by striking “aid to  
19 families” and all through the end period, and  
20 inserting “assistance under a program funded  
21 under part A, and regardless of the economic  
22 circumstances of their parents, the Secretary  
23 shall, from the support collected which would  
24 otherwise represent the reimbursement to the  
25 Federal government under section 457, pay to



1           each State for each fiscal year, on a quarterly  
2           basis (as described in subsection (e)) beginning  
3           with the quarter commencing October 1, 1999,  
4           an incentive payment in an amount determined  
5           under subsections (b) and (c).”;

6           (B) by striking subsections (b) and (c) and  
7           inserting the following:

8           “(b)(1) Not later than 60 days after the date of the  
9           enactment of the Balanced Budget Reconciliation Act of  
10          1995, the Secretary shall establish a committee which  
11          shall include State directors of programs under this part  
12          and which shall develop for the Secretary’s approval a for-  
13          mula for the distribution of incentive payments to the  
14          States.

15          “(2) The formula developed and approved under  
16          paragraph (1)—

17                 “(A) shall result in a percentage of the collec-  
18                 tions described in subsection (a) being distributed to  
19                 each State based on the State’s comparative per-  
20                 formance in the following areas and any other areas  
21                 approved by the Secretary under this subsection:

22                         “(i) The IV-D paternity establishment per-  
23                         centage, as defined in section 452(g)(2).

24                         “(ii) The percentage of cases with a sup-  
25                         port order with respect to which services are

1 being provided under the State plan approved  
2 under this part.

3 “(iii) The percentage of cases with a sup-  
4 port order in which child support is paid with  
5 respect to which services are being so provided.

6 “(iv) In cases receiving services under the  
7 State plan approved under this part, the  
8 amount of child support collected compared to  
9 the amount of outstanding child support owed.

10 “(v) The cost-effectiveness of the State  
11 program;

12 “(B) shall take into consideration—

13 “(i) the impact that incentives can have on  
14 reducing the need to provide public assistance  
15 and on permanently removing families from  
16 public assistance;

17 “(ii) the need to balance accuracy and fair-  
18 ness with simplicity of understanding and data  
19 gathering;

20 “(iii) the need to reward performance  
21 which improves short- and long-term program  
22 outcomes, especially establishing paternity and  
23 support orders and encouraging the timely pay-  
24 ment of support;

1           “(iv) the Statewide paternity establishment  
2           percentage;

3           “(v) baseline data on current performance  
4           and projected costs of performance increases to  
5           assure that top performing States can actually  
6           achieve the top incentive levels with a reason-  
7           able resource investment;

8           “(vi) performance outcomes which would  
9           warrant an increase in the total incentive pay-  
10          ments made to the States; and

11          “(vii) the use or distribution of any portion  
12          of the total incentive payments in excess of the  
13          total of the payments which may be distributed  
14          under subsection (c);

15          “(C) shall be determined so as to distribute to  
16          the States total incentive payments equal to the total  
17          incentive payments for all States in fiscal year 1994,  
18          plus a portion of any increase in the reimbursement  
19          to the Federal Government under section 457 from  
20          fiscal year 1999 or any other increase based on  
21          other performance outcomes approved by the Sec-  
22          retary under this subsection;

23          “(D) shall use a definition of the term ‘State’  
24          which does not include any area within the jurisdic-  
25          tion of an Indian tribal government; and

1           “(E) shall use a definition of the term ‘State-  
2           wide paternity establishment percentage’ to mean  
3           with respect to a State and a fiscal year—

4                   “(i) the total number of children in the  
5           State who were born out of wedlock, who have  
6           not attained 1 year of age and for whom pater-  
7           nity is established or acknowledged during the  
8           fiscal year; divided by

9                   “(ii) the total number of children born out  
10           of wedlock in the State during the fiscal year.

11           “(c) The total amount of the incentives payment  
12           made by the Secretary to a State in a fiscal year shall  
13           not exceed 90 percent of the total amounts expended by  
14           such State during such year for the operation of the plan  
15           approved under section 454, less payments to the State  
16           pursuant to section 455 for such year.”;

17                   (2) in subsection (d), by striking “, and any  
18           amounts” through “shall be excluded”.

19           (b) PAYMENTS TO POLITICAL SUBDIVISIONS.—Sec-  
20           tion 454(22) (42 U.S.C. 654(22)) is amended by inserting  
21           before the semicolon the following: “, but a political sub-  
22           division shall not be entitled to receive, and the State may  
23           retain, any amount in excess of the amount the political  
24           subdivision expends on the State program under this part,

1 less the amount equal to the percentage of that expendi-  
2 ture paid by the Secretary under section 455”.

3 (c) CALCULATION OF IV-D PATERNITY ESTABLISH-  
4 MENT PERCENTAGE.—

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

7 (A) in the matter preceding subparagraph  
8 (A) by inserting “its overall performance in  
9 child support enforcement is satisfactory (as de-  
10 fined in section 458(b) and regulations of the  
11 Secretary), and” after “1994,”; and

12 (B) in each of subparagraphs (A) and (B),  
13 by striking “75” and inserting “90”.

14 (2) Section 452(g)(2)(A) (42 U.S.C.  
15 652(g)(2)(A)) is amended in the matter preceding  
16 clause (i)—

17 (A) by striking “paternity establishment  
18 percentage” and inserting “IV-D paternity es-  
19 tablishment percentage”; and

20 (B) by striking “(or all States, as the case  
21 may be)”.

22 (3) Section 452(g)(3) (42 U.S.C. 652(g)(3)) is  
23 amended—

1 (A) by striking subparagraph (A) and re-  
2 designating subparagraphs (B) and (C) as sub-  
3 paragraphs (A) and (B), respectively;

4 (B) in subparagraph (A) (as so redesign-  
5 dated), by striking “the percentage of children  
6 born out-of-wedlock in a State” and inserting  
7 “the percentage of children in a State who are  
8 born out of wedlock or for whom support has  
9 not been established”; and

10 (C) in subparagraph (B) (as so redesign-  
11 dated)—

12 (i) by inserting “and overall perform-  
13 ance in child support enforcement” after  
14 “paternity establishment percentages”; and

15 (ii) by inserting “and securing sup-  
16 port” before the period.

17 (d) EFFECTIVE DATES.—

18 (1) INCENTIVE ADJUSTMENTS.—

19 (A) IN GENERAL.—The amendments made  
20 by subsections (a) and (b) shall become effec-  
21 tive on the date of the enactment of this Act,  
22 except to the extent provided in subparagraph  
23 (B).

24 (B) EXCEPTION.—Section 458 of the So-  
25 cial Security Act, as in effect before the date of

1 the enactment of this section, shall be effective  
2 for purposes of incentive payments to States for  
3 fiscal years before fiscal year 2000.

4 (2) PENALTY REDUCTIONS.—The amendments  
5 made by subsection (c) shall become effective with  
6 respect to calendar quarters beginning on and after  
7 the date of the enactment of this Act.

8 **SEC. 7342. FEDERAL AND STATE REVIEWS AND AUDITS.**

9 (a) STATE AGENCY ACTIVITIES.—Section 454 (42  
10 U.S.C. 654) is amended—

11 (1) in paragraph (14), by striking “(14)” and  
12 inserting “(14)(A)”;

13 (2) by redesignating paragraph (15) as sub-  
14 paragraph (B) of paragraph (14); and

15 (3) by inserting after paragraph (14) the fol-  
16 lowing new paragraph:

17 “(15) provide for—

18 “(A) a process for annual reviews of and  
19 reports to the Secretary on the State program  
20 operated under the State plan approved under  
21 this part, including such information as may be  
22 necessary to measure State compliance with  
23 Federal requirements for expedited procedures,  
24 using such standards and procedures as are re-  
25 quired by the Secretary, under which the State

1 agency will determine the extent to which the  
2 program is operated in compliance with this  
3 part; and

4 “(B) a process of extracting from the auto-  
5 mated data processing system required by para-  
6 graph (16) and transmitting to the Secretary  
7 data and calculations concerning the levels of  
8 accomplishment (and rates of improvement)  
9 with respect to applicable performance indica-  
10 tors (including IV-D paternity establishment  
11 percentages and overall performance in child  
12 support enforcement) to the extent necessary  
13 for purposes of sections 452(g) and 458.”

14 (b) FEDERAL ACTIVITIES.—Section 452(a)(4) (42  
15 U.S.C. 652(a)(4)) is amended to read as follows:

16 “(4)(A) review data and calculations transmit-  
17 ted by State agencies pursuant to section  
18 454(15)(B) on State program accomplishments with  
19 respect to performance indicators for purposes of  
20 subsection (g) of this section and section 458;

21 “(B) review annual reports submitted pursuant  
22 to section 454(15)(A) and, as appropriate, provide  
23 to the State comments, recommendations for addi-  
24 tional or alternative corrective actions, and technical  
25 assistance; and



1           “(C) conduct audits, in accordance with the  
2 Government auditing standards of the Comptroller  
3 General of the United States—

4           “(i) at least once every 3 years (or more  
5 frequently, in the case of a State which fails to  
6 meet the requirements of this part concerning  
7 performance standards and reliability of pro-  
8 gram data) to assess the completeness, reliabil-  
9 ity, and security of the data, and the accuracy  
10 of the reporting systems, used in calculating  
11 performance indicators under subsection (g) of  
12 this section and section 458;

13           “(ii) of the adequacy of financial manage-  
14 ment of the State program operated under the  
15 State plan approved under this part, including  
16 assessments of—

17           “(I) whether Federal and other funds  
18 made available to carry out the State pro-  
19 gram are being appropriately expended,  
20 and are properly and fully accounted for;  
21 and

22           “(II) whether collections and disburse-  
23 ments of support payments are carried out  
24 correctly and are fully accounted for; and

1                   “(iii) for such other purposes as the Sec-  
2                   retary may find necessary;”.

3           (c) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall be effective with respect to calendar  
5 quarters beginning 12 months or more after the date of  
6 the enactment of this Act.

7 **SEC. 7343. REQUIRED REPORTING PROCEDURES.**

8           (a) **ESTABLISHMENT.**—Section 452(a)(5) (42 U.S.C.  
9 652(a)(5)) is amended by inserting “, and establish proce-  
10 dures to be followed by States for collecting and reporting  
11 information required to be provided under this part, and  
12 establish uniform definitions (including those necessary to  
13 enable the measurement of State compliance with the re-  
14 quirements of this part relating to expedited processes) to  
15 be applied in following such procedures” before the semi-  
16 colon.

17           (b) **STATE PLAN REQUIREMENT.**—Section 454 (42  
18 U.S.C. 654), as amended by sections 7301(b), 7304(a),  
19 7312(a), 7313(a), and 7333, is amended—

20                   (1) by striking “and” at the end of paragraph  
21                   (28);

22                   (2) by striking the period at the end of para-  
23                   graph (29) and inserting “; and”; and

24                   (3) by adding after paragraph (29) the follow-  
25                   ing new paragraph:

1           “(30) provide that the State shall use the defi-  
2           nitions established under section 452(a)(5) in col-  
3           lecting and reporting information as required under  
4           this part.”.

5 **SEC. 7344. AUTOMATED DATA PROCESSING REQUIRE-**  
6           **MENTS.**

7           (a) **REVISED REQUIREMENTS.—**

8           (1) **IN GENERAL.—**Section 454(16) (42 U.S.C.  
9           654(16)) is amended—

10           (A) by striking “, at the option of the  
11           State,”;

12           (B) by inserting “and operation by the  
13           State agency” after “for the establishment”;

14           (C) by inserting “meeting the requirements  
15           of section 454A” after “information retrieval  
16           system”;

17           (D) by striking “in the State and localities  
18           thereof, so as (A)” and inserting “so as”;

19           (E) by striking “(i)”; and

20           (F) by striking “(including” and all that  
21           follows and inserting a semicolon.

22           (2) **AUTOMATED DATA PROCESSING.—**Part D of  
23           title IV (42 U.S.C. 651–669) is amended by insert-  
24           ing after section 454 the following new section:

1 "SEC. 454A. AUTOMATED DATA PROCESSING.

2       “(a) IN GENERAL.—In order for a State to meet the  
3 requirements of this section, the State agency administer-  
4 ing the State program under this part shall have in oper-  
5 ation a single statewide automated data processing and  
6 information retrieval system which has the capability to  
7 perform the tasks specified in this section with the fre-  
8 quency and in the manner required by or under this part.

9       “(b) PROGRAM MANAGEMENT.—The automated sys-  
10 tem required by this section shall perform such functions  
11 as the Secretary may specify relating to management of  
12 the State program under this part, including—

13               “(1) controlling and accounting for use of Fed-  
14 eral, State, and local funds in carrying out the pro-  
15 gram; and

16               “(2) maintaining the data necessary to meet  
17 Federal reporting requirements under this part on a  
18 timely basis.

19       “(c) CALCULATION OF PERFORMANCE INDICA-  
20 TORS.—In order to enable the Secretary to determine the  
21 incentive and penalty adjustments required by sections  
22 452(g) and 458, the State agency shall—

23               “(1) use the automated system—

24                       “(A) to maintain the requisite data on  
25 State performance with respect to paternity es-

1           tabishment and child support enforcement in  
2           the State; and

3           “(B) to calculate the IV–D paternity es-  
4           tablishment percentage and overall performance  
5           in child support enforcement for the State for  
6           each fiscal year; and

7           “(2) have in place systems controls to ensure  
8           the completeness and reliability of, and ready access  
9           to, the data described in paragraph (1)(A), and the  
10          accuracy of the calculations described in paragraph  
11          (1)(B).

12          “(d) INFORMATION INTEGRITY AND SECURITY.—The  
13          State agency shall have in effect safeguards on the integ-  
14          rity, accuracy, and completeness of, access to, and use of  
15          data in the automated system required by this section,  
16          which shall include the following (in addition to such other  
17          safeguards as the Secretary may specify in regulations):

18                 “(1) POLICIES RESTRICTING ACCESS.—Written  
19                 policies concerning access to data by State agency  
20                 personnel, and sharing of data with other persons,  
21                 which—

22                         “(A) permit access to and use of data only  
23                         to the extent necessary to carry out the State  
24                         program under this part; and

1           “(B) specify the data which may be used  
2           for particular program purposes, and the per-  
3           sonnel permitted access to such data.

4           “(2) SYSTEMS CONTROLS.—Systems controls  
5           (such as passwords or blocking of fields) to ensure  
6           strict adherence to the policies described in para-  
7           graph (1).

8           “(3) MONITORING OF ACCESS.—Routine mon-  
9           itoring of access to and use of the automated sys-  
10          tem, through methods such as audit trails and feed-  
11          back mechanisms, to guard against and promptly  
12          identify unauthorized access or use.

13          “(4) TRAINING AND INFORMATION.—Proce-  
14          dures to ensure that all personnel (including State  
15          and local agency staff and contractors) who may  
16          have access to or be required to use confidential pro-  
17          gram data are informed of applicable requirements  
18          and penalties (including those in section 6103 of the  
19          Internal Revenue Code of 1986), and are adequately  
20          trained in security procedures.

21          “(5) PENALTIES.—Administrative penalties (up  
22          to and including dismissal from employment) for un-  
23          authorized access to, or disclosure or use of, con-  
24          fidential data.”.

1           (3) REGULATIONS.—The Secretary of Health  
2 and Human Services shall prescribe final regulations  
3 for implementation of section 454A of the Social Se-  
4 curity Act not later than 2 years after the date of  
5 the enactment of this Act.

6           (4) IMPLEMENTATION TIMETABLE.—Section  
7 454(24) (42 U.S.C. 654(24)), as amended by sec-  
8 tions 7304(a)(2) and 7312(a)(1), is amended to read  
9 as follows:

10           “(24) provide that the State will have in effect  
11 an automated data processing and information re-  
12 trieval system—

13           “(A) by October 1, 1997, which meets all  
14 requirements of this part which were enacted on  
15 or before the date of enactment of the Family  
16 Support Act of 1988; and

17           “(B) by October 1, 1999, which meets all  
18 requirements of this part enacted on or before  
19 the date of the enactment of the Balanced  
20 Budget Reconciliation Act of 1995, except that  
21 such deadline shall be extended by 1 day for  
22 each day (if any) by which the Secretary fails  
23 to meet the deadline imposed by section  
24 7344(a)(3) of the Balanced Budget Reconcili-  
25 ation Act of 1995.”.

1 (b) SPECIAL FEDERAL MATCHING RATE FOR DE-  
2 VELOPMENT COSTS OF AUTOMATED SYSTEMS.—

3 (1) IN GENERAL.—Section 455(a) (42 U.S.C.  
4 655(a)) is amended—

5 (A) in paragraph (1)(B)—

6 (i) by striking “90 percent” and in-  
7 serting “the percent specified in paragraph  
8 (3)”;

9 (ii) by striking “so much of”; and

10 (iii) by striking “which the Secretary”  
11 and all that follows and inserting “, and”;  
12 and

13 (B) by adding at the end the following new  
14 paragraph:

15 “(3)(A) The Secretary shall pay to each State, for  
16 each quarter in fiscal years 1996 and 1997, 90 percent  
17 of so much of the State expenditures described in para-  
18 graph (1)(B) as the Secretary finds are for a system meet-  
19 ing the requirements specified in section 454(16) (as in  
20 effect on the day before the date of the enactment of the  
21 Balanced Budget Reconciliation Act of 1995), but limited  
22 to the amount approved for States in the advance planning  
23 documents of such States submitted on or before May 1,  
24 1995.



1       “(B)(i) The Secretary shall pay to each State, for  
2 each quarter in fiscal years 1997 through 2001, the per-  
3 centage specified in clause (ii) of so much of the State  
4 expenditures described in paragraph (1)(B) as the Sec-  
5 retary finds are for a system meeting the requirements  
6 of sections 454(16) and 454A.

7       “(ii) The percentage specified in this clause is the  
8 greater of—

9               “(I) 80 percent; or

10              “(II) the percentage otherwise applicable to  
11 Federal payments to the State under subparagraph  
12 (A) (as adjusted pursuant to section 458).”.

13              (2) TEMPORARY LIMITATION ON PAYMENTS  
14 UNDER SPECIAL FEDERAL MATCHING RATE.—

15              (A) IN GENERAL.—The Secretary of  
16 Health and Human Services may not pay more  
17 than \$260,000,000 in the aggregate under sec-  
18 tion 455(a)(3) of the Social Security Act for fis-  
19 cal years 1996, 1997, 1998, 1999, and 2000.

20              (B) ALLOCATION OF LIMITATION AMONG  
21 STATES.—The total amount payable to a State  
22 under section 455(a)(3) of such Act for fiscal  
23 years 1996, 1997, 1998, 1999, and 2000 shall  
24 not exceed the limitation determined for the

1 State by the Secretary of Health and Human  
2 Services in regulations.

3 (C) ALLOCATION FORMULA.—The regula-  
4 tions referred to in subparagraph (B) shall pre-  
5 scribe a formula for allocating the amount spec-  
6 ified in subparagraph (A) among States with  
7 plans approved under part D of title IV of the  
8 Social Security Act, which shall take into ac-  
9 count—

10 (i) the relative size of State caseloads  
11 under such part; and

12 (ii) the level of automation needed to  
13 meet the automated data processing re-  
14 quirements of such part.

15 (c) CONFORMING AMENDMENT.—Section 123(c) of  
16 the Family Support Act of 1988 (102 Stat. 2352; Public  
17 Law 100–485) is repealed.

18 **SEC. 7345. TECHNICAL ASSISTANCE.**

19 (a) FOR TRAINING OF FEDERAL AND STATE STAFF,  
20 RESEARCH AND DEMONSTRATION PROGRAMS, AND SPE-  
21 CIAL PROJECTS OF REGIONAL OR NATIONAL SIGNIFI-  
22 CANCE.—Section 452 (42 U.S.C. 652) is amended by add-  
23 ing at the end the following new subsection:

24 “(j) Out of any money in the Treasury of the United  
25 States not otherwise appropriated, there is hereby appro-

1 priated to the Secretary for each fiscal year an amount  
2 equal to 1 percent of the total amount paid to the Federal  
3 Government pursuant to section 457(a) during the imme-  
4 diately preceding fiscal year (as determined on the basis  
5 of the most recent reliable data available to the Secretary  
6 as of the end of the 3rd calendar quarter following the  
7 end of such preceding fiscal year), to cover costs incurred  
8 by the Secretary for—

9           “(1) information dissemination and technical  
10 assistance to States, training of State and Federal  
11 staff, staffing studies, and related activities needed  
12 to improve programs under this part (including tech-  
13 nical assistance concerning State automated systems  
14 required by this part); and

15           “(2) research, demonstration, and special  
16 projects of regional or national significance relating  
17 to the operation of State programs under this  
18 part.”.

19       (b) OPERATION OF FEDERAL PARENT LOCATOR  
20 SERVICE.—Section 453 (42 U.S.C. 653), as amended by  
21 section 7316(f), is amended by adding at the end the fol-  
22 lowing new subsection:

23           “(n) Out of any money in the Treasury of the United  
24 States not otherwise appropriated, there is hereby appro-  
25 priated to the Secretary for each fiscal year an amount

1 equal to 2 percent of the total amount paid to the Federal  
2 Government pursuant to section 457(a) during the imme-  
3 diately preceding fiscal year (as determined on the basis  
4 of the most recent reliable data available to the Secretary  
5 as of the end of the 3rd calendar quarter following the  
6 end of such preceding fiscal year), to cover costs incurred  
7 by the Secretary for operation of the Federal Parent Loca-  
8 tor Service under this section, to the extent such costs are  
9 not recovered through user fees.”.

10 **SEC. 7346. REPORTS AND DATA COLLECTION BY THE SEC-**  
11 **RETARY.**

12 (a) ANNUAL REPORT TO CONGRESS.—

13 (1) Section 452(a)(10)(A) (42 U.S.C.  
14 652(a)(10)(A)) is amended—

15 (A) by striking “this part;” and inserting  
16 “this part, including—”; and

17 (B) by adding at the end the following new  
18 clauses:

19 “(i) the total amount of child support  
20 payments collected as a result of services  
21 furnished during the fiscal year to individ-  
22 uals receiving services under this part;

23 “(ii) the cost to the States and to the  
24 Federal Government of so furnishing the  
25 services; and

1                   “(iii) the number of cases involving  
2 families—

3                   “(I) who became ineligible for as-  
4 sistance under State programs funded  
5 under part A during a month in the  
6 fiscal year; and

7                   “(II) with respect to whom a  
8 child support payment was received in  
9 the month;”.

10               (2) Section 452(a)(10)(C) (42 U.S.C.  
11 652(a)(10)(C)) is amended—

12               (A) in the matter preceding clause (i)—

13                   (i) by striking “with the data required  
14 under each clause being separately stated  
15 for cases” and inserting “separately stated  
16 for (1) cases”;

17                   (ii) by striking “cases where the child  
18 was formerly receiving” and inserting “or  
19 formerly received”;

20                   (iii) by inserting “or 2136” after  
21 “471(a)(17)”; and

22                   (iv) by inserting “(2)” before “all  
23 other”;

1 (B) in each of clauses (i) and (ii), by strik-  
2 ing “, and the total amount of such obliga-  
3 tions”;

4 (C) in clause (iii), by striking “described  
5 in” and all that follows and inserting “in which  
6 support was collected during the fiscal year;”;

7 (D) by striking clause (iv); and

8 (E) by redesignating clause (v) as clause  
9 (vii), and inserting after clause (iii) the follow-  
10 ing new clauses:

11 “(iv) the total amount of support col-  
12 lected during such fiscal year and distrib-  
13 uted as current support;

14 “(v) the total amount of support col-  
15 lected during such fiscal year and distrib-  
16 uted as arrearages;

17 “(vi) the total amount of support due  
18 and unpaid for all fiscal years; and”.

19 (3) Section 452(a)(10)(G) (42 U.S.C.  
20 652(a)(10)(G)) is amended by striking “on the use  
21 of Federal courts and”.

22 (4) Section 452(a)(10) (42 U.S.C. 652(a)(10))  
23 is amended—

24 (A) in subparagraph (H), by striking  
25 “and”;

1 (B) in subparagraph (I), by striking the  
2 period and inserting “; and”; and

3 (C) by inserting after subparagraph (I) the  
4 following new subparagraph:

5 “(J) compliance, by State, with the stand-  
6 ards established pursuant to subsections (h)  
7 and (i).”.

8 (5) Section 452(a)(10) (42 U.S.C. 652(a)(10))  
9 is amended by striking all that follows subparagraph  
10 (J), as added by paragraph (4).

11 (b) EFFECTIVE DATE.—The amendments made by  
12 subsection (a) shall be effective with respect to fiscal year  
13 1996 and succeeding fiscal years.

14 **CHAPTER 6—ESTABLISHMENT AND**  
15 **MODIFICATION OF SUPPORT ORDERS**

16 **SEC. 7351. NATIONAL CHILD SUPPORT GUIDELINES COM-**  
17 **MISSION.**

18 (a) ESTABLISHMENT.—There is hereby established a  
19 commission to be known as the National Child Support  
20 Guidelines Commission (in this section referred to as the  
21 “Commission”).

22 (b) GENERAL DUTIES.—

23 (1) IN GENERAL.—The Commission shall deter-  
24 mine—

1 (A) whether it is appropriate to develop a  
 2 national child support guideline for consider-  
 3 ation by the Congress or for adoption by indi-  
 4 vidual States; or

5 (B) based on a study of various guideline  
 6 models, the benefits and deficiencies of such  
 7 models, and any needed improvements.

8 (2) DEVELOPMENT OF MODELS.—If the Com-  
 9 mission determines under paragraph (1)(A) that a  
 10 national child support guideline is needed or under  
 11 paragraph (1)(B) that improvements to guideline  
 12 models are needed, the Commission shall develop  
 13 such national guideline or improvements.

14 (c) MATTERS FOR CONSIDERATION BY THE COMMIS-  
 15 SION.—In making the recommendations concerning guide-  
 16 lines required under subsection (b), the Commission shall  
 17 consider—

18 (1) the adequacy of State child support guide-  
 19 lines established pursuant to section 467;

20 (2) matters generally applicable to all support  
 21 orders, including—

22 (A) the feasibility of adopting uniform  
 23 terms in all child support orders;

24 (B) how to define income and under what  
 25 circumstances income should be imputed; and



1 (C) tax treatment of child support pay-  
2 ments;

3 (3) the appropriate treatment of cases in which  
4 either or both parents have financial obligations to  
5 more than 1 family, including the effect (if any) to  
6 be given to—

7 (A) the income of either parent's spouse;  
8 and

9 (B) the financial responsibilities of either  
10 parent for other children or stepchildren;

11 (4) the appropriate treatment of expenses for  
12 child care (including care of the children of either  
13 parent, and work-related or job-training-related child  
14 care);

15 (5) the appropriate treatment of expenses for  
16 health care (including uninsured health care) and  
17 other extraordinary expenses for children with spe-  
18 cial needs;

19 (6) the appropriate duration of support by 1 or  
20 both parents, including—

21 (A) support (including shared support) for  
22 postsecondary or vocational education; and

23 (B) support for disabled adult children;

24 (7) procedures to automatically adjust child  
25 support orders periodically to address changed eco-

1        nomic circumstances, including changes in the  
 2        Consumer Price Index or either parent's income and  
 3        expenses in particular cases;

4            (8) procedures to help noncustodial parents ad-  
 5        dress grievances regarding visitation and custody or-  
 6        ders to prevent such parents from withholding child  
 7        support payments until such grievances are resolved;  
 8        and

9            (9) whether, or to what extent, support levels  
 10       should be adjusted in cases in which custody is  
 11       shared or in which the noncustodial parent has ex-  
 12       tended visitation rights.

13        (d) MEMBERSHIP.—

14            (1) NUMBER; APPOINTMENT.—

15            (A) IN GENERAL.—The Commission shall  
 16        be composed of 12 individuals appointed not  
 17        later than January 15, 1997, of which—

18            (i) 2 shall be appointed by the Chair-  
 19        man of the Committee on Finance of the  
 20        Senate, and 1 shall be appointed by the  
 21        ranking minority member of the Commit-  
 22        tee;

23            (ii) 2 shall be appointed by the Chair-  
 24        man of the Committee on Ways and Means  
 25        of the House of Representatives, and 1

1 shall be appointed by the ranking minority  
2 member of the Committee; and

3 (iii) 6 shall be appointed by the Sec-  
4 retary of Health and Human Services.

5 (B) QUALIFICATIONS OF MEMBERS.—

6 Members of the Commission shall have exper-  
7 tise and experience in the evaluation and devel-  
8 opment of child support guidelines. At least 1  
9 member shall represent advocacy groups for  
10 custodial parents, at least 1 member shall rep-  
11 resent advocacy groups for noncustodial par-  
12 ents, and at least 1 member shall be the direc-  
13 tor of a State program under part D of title IV  
14 of the Social Security Act.

15 (2) TERMS OF OFFICE.—Each member shall be  
16 appointed for a term of 2 years. A vacancy in the  
17 Commission shall be filled in the manner in which  
18 the original appointment was made.

19 (e) COMMISSION POWERS, COMPENSATION, ACCESS  
20 TO INFORMATION, AND SUPERVISION.—The 1st sentence  
21 of subparagraph (C), the 1st and 3rd sentences of sub-  
22 paragraph (D), subparagraph (F) (except with respect to  
23 the conduct of medical studies), clauses (ii) and (iii) of  
24 subparagraph (G), and subparagraph (H) of section  
25 1886(e)(6) of the Social Security Act shall apply to the

1 Commission in the same manner in which such provisions  
2 apply to the Prospective Payment Assessment Commis-  
3 sion.

4 (f) REPORT.—Not later than 2 years after the ap-  
5 pointment of members, the Commission shall submit to  
6 the President, the Committee on Ways and Means of the  
7 House of Representatives, and the Committee on Finance  
8 of the Senate, a recommended national child support  
9 guideline and a final assessment of issues relating to such  
10 a proposed national child support guideline.

11 (g) TERMINATION.—The Commission shall terminate  
12 6 months after the submission of the report described in  
13 subsection (e).

14 **SEC. 7352. SIMPLIFIED PROCESS FOR REVIEW AND ADJUST-**  
15 **MENT OF CHILD SUPPORT ORDERS.**

16 Section 466(a)(10) (42 U.S.C. 666(a)(10)) is amend-  
17 ed to read as follows:

18 “(10) Procedures under which the State shall  
19 review and adjust each support order being enforced  
20 under this part upon the request of either parent or  
21 the State if there is an assignment. Such procedures  
22 shall provide the following:

23 “(A) The State shall review and, as appro-  
24 priate, adjust the support order every 3 years,

1 taking into account the best interests of the  
2 child involved.

3 “(B)(i) The State may elect to review and,  
4 if appropriate, adjust an order pursuant to sub-  
5 paragraph (A) by—

6 “(I) reviewing and, if appropriate, ad-  
7 justing the order in accordance with the  
8 guidelines established pursuant to section  
9 467(a) if the amount of the child support  
10 award under the order differs from the  
11 amount that would be awarded in accord-  
12 ance with the guidelines; or

13 “(II) applying a cost-of-living adjust-  
14 ment to the order in accordance with a for-  
15 mula developed by the State and permit ei-  
16 ther party to contest the adjustment, with-  
17 in 30 days after the date of the notice of  
18 the adjustment, by making a request for  
19 review and, if appropriate, adjustment of  
20 the order in accordance with the child sup-  
21 port guidelines established pursuant to sec-  
22 tion 467(a).

23 “(ii) Any adjustment under clause (i) shall  
24 be made without a requirement for proof or  
25 showing of a change in circumstances.

1           “(C) The State may use automated meth-  
2           ods (including automated comparisons with  
3           wage or State income tax data) to identify or-  
4           ders eligible for review, conduct the review,  
5           identify orders eligible for adjustment, and  
6           apply the appropriate adjustment to the orders  
7           eligible for adjustment under the threshold es-  
8           tablished by the State.

9           “(D)(i) The State shall, at the request of  
10          either parent subject to such an order or of any  
11          State child support enforcement agency, review  
12          and, if appropriate, adjust the order in accord-  
13          ance with the guidelines established pursuant to  
14          section 467(a) based upon a substantial change  
15          in the circumstances of either parent.

16          “(ii) The State shall provide notice to the  
17          parents subject to such an order informing  
18          them of their right to request the State to re-  
19          view and, if appropriate, adjust the order pur-  
20          suant to clause (i). The notice may be included  
21          in the order.”.

1 **SEC. 7353. FURNISHING CONSUMER REPORTS FOR CER-**  
2 **TAIN PURPOSES RELATING TO CHILD SUP-**  
3 **PORT.**

4 Section 604 of the Fair Credit Reporting Act (15  
5 U.S.C. 1681b) is amended by adding at the end the follow-  
6 ing new paragraphs:

7 “(4) In response to a request by the head of a  
8 State or local child support enforcement agency (or  
9 a State or local government official authorized by  
10 the head of such an agency), if the person making  
11 the request certifies to the consumer reporting agency that—

12  
13 “(A) the consumer report is needed for the  
14 purpose of establishing an individual’s capacity  
15 to make child support payments or determining  
16 the appropriate level of such payments;

17 “(B) the paternity of the consumer for the  
18 child to which the obligation relates has been  
19 established or acknowledged by the consumer in  
20 accordance with State laws under which the ob-  
21 ligation arises (if required by those laws);

22 “(C) the person has provided at least 10  
23 days’ prior notice to the consumer whose report  
24 is requested, by certified or registered mail to  
25 the last known address of the consumer, that  
26 the report will be requested; and

1           “(D) the consumer report will be kept con-  
2           fidential, will be used solely for a purpose de-  
3           scribed in subparagraph (A), and will not be  
4           used in connection with any other civil, admin-  
5           istrative, or criminal proceeding, or for any  
6           other purpose.

7           “(5) To an agency administering a State plan  
8           under section 454 of the Social Security Act (42  
9           U.S.C. 654) for use to set an initial or modified  
10          child support award.”.

11 **SEC. 7354. NONLIABILITY FOR DEPOSITORY INSTITUTIONS**  
12                           **PROVIDING FINANCIAL RECORDS TO STATE**  
13                           **CHILD SUPPORT ENFORCEMENT AGENCIES**  
14                           **IN CHILD SUPPORT CASES.**

15          (a) **IN GENERAL.**—Notwithstanding any other provi-  
16          sion of Federal or State law, a depository institution shall  
17          not be liable under any Federal or State law to any person  
18          for disclosing any financial record of an individual to a  
19          State child support enforcement agency attempting to es-  
20          tablish, modify, or enforce a child support obligation of  
21          such individual.

22          (b) **PROHIBITION OF DISCLOSURE OF FINANCIAL**  
23          **RECORD OBTAINED BY STATE CHILD SUPPORT EN-**  
24          **FORCEMENT AGENCY.**—A State child support enforcement  
25          agency which obtains a financial record of an individual



1 from a financial institution pursuant to subsection (a)  
2 may disclose such financial record only for the purpose  
3 of, and to the extent necessary in, establishing, modifying,  
4 or enforcing a child support obligation of such individual.

5 (c) CIVIL DAMAGES FOR UNAUTHORIZED DISCLO-  
6 SURE.—

7 (1) DISCLOSURE BY STATE OFFICER OR EM-  
8 PLOYEE.—If any person knowingly, or by reason of  
9 negligence, discloses a financial record of an individ-  
10 ual in violation of subsection (b), such individual  
11 may bring a civil action for damages against such  
12 person in a district court of the United States.

13 (2) NO LIABILITY FOR GOOD FAITH BUT ERRO-  
14 NEOUS INTERPRETATION.—No liability shall arise  
15 under this subsection with respect to any disclosure  
16 which results from a good faith, but erroneous, in-  
17 terpretation of subsection (b).

18 (3) DAMAGES.—In any action brought under  
19 paragraph (1), upon a finding of liability on the part  
20 of the defendant, the defendant shall be liable to the  
21 plaintiff in an amount equal to the sum of—

22 (A) the greater of—

23 (i) \$1,000 for each act of unauthor-  
24 ized disclosure of a financial record with

1           respect to which such defendant is found  
2           liable; or

3           (ii) the sum of—

4           (I) the actual damages sustained  
5           by the plaintiff as a result of such un-  
6           authorized disclosure; plus

7           (II) in the case of a willful disclo-  
8           sure or a disclosure which is the re-  
9           sult of gross negligence, punitive dam-  
10          ages; plus

11          (B) the costs (including attorney's fees) of  
12          the action.

13          (d) DEFINITIONS.—For purposes of this section:

14          (1) The term “depository institution” means—

15           (A) a depository institution, as defined in  
16           section 3(c) of the Federal Deposit Insurance  
17           Act (12 U.S.C. 1813(c));

18           (B) an institution-affiliated party, as de-  
19           fined in section 3(u) of such Act (12 U.S.C.  
20           1813(v)); and

21           (C) any Federal credit union or State cred-  
22           it union, as defined in section 101 of the Fed-  
23           eral Credit Union Act (12 U.S.C. 1752), includ-  
24           ing an institution-affiliated party of such a

1 credit union, as defined in section 206(r) of  
2 such Act (12 U.S.C. 1786(r)).

3 (2) The term “financial record” has the mean-  
4 ing given such term in section 1101 of the Right to  
5 Financial Privacy Act of 1978 (12 U.S.C. 3401).

6 (3) The term “State child support enforcement  
7 agency” means a State agency which administers a  
8 State program for establishing and enforcing child  
9 support obligations.

## 10 **CHAPTER 7—ENFORCEMENT OF SUPPORT** 11 **ORDERS**

### 12 **SEC. 7361. INTERNAL REVENUE SERVICE COLLECTION OF** 13 **ARREARAGES.**

14 (a) AMENDMENT TO INTERNAL REVENUE CODE.—  
15 Section 6305(a) of the Internal Revenue Code of 1986 (re-  
16 lating to collection of certain liability) is amended—

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

18 (3);

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

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

23 “(5) no additional fee may be assessed for ad-  
24 justments to an amount previously certified pursu-

1 ant to such section 452(b) with respect to the same  
2 obligor.”; and

3 (4) by striking “Secretary of Health, Edu-  
4 cation, and Welfare” each place it appears and in-  
5 serting “Secretary of Health and Human Services”.

6 (b) **EFFECTIVE DATE.**—The amendments made by  
7 this section shall become effective October 1, 1997.

8 **SEC. 7362. AUTHORITY TO COLLECT SUPPORT FROM FED-**  
9 **ERAL EMPLOYEES.**

10 (a) **CONSOLIDATION AND STREAMLINING OF AU-**  
11 **THORITIES.**—Section 459 (42 U.S.C. 659) is amended to  
12 read as follows:

13 **“SEC. 459. CONSENT BY THE UNITED STATES TO INCOME**  
14 **WITHHOLDING, GARNISHMENT, AND SIMILAR**  
15 **PROCEEDINGS FOR ENFORCEMENT OF CHILD**  
16 **SUPPORT AND ALIMONY OBLIGATIONS.**

17 **“(a) CONSENT TO SUPPORT ENFORCEMENT.**—Not-  
18 withstanding any other provision of law (including section  
19 207 of this Act and section 5301 of title 38, United States  
20 Code), effective January 1, 1975, moneys (the entitlement  
21 to which is based upon remuneration for employment) due  
22 from, or payable by, the United States or the District of  
23 Columbia (including any agency, subdivision, or instru-  
24 mentality thereof) to any individual, including members  
25 of the Armed Forces of the United States, shall be subject,

1 in like manner and to the same extent as if the United  
2 States or the District of Columbia were a private person,  
3 to withholding in accordance with State law enacted pur-  
4 suant to subsections (a)(1) and (b) of section 466 and reg-  
5 ulations of the Secretary under such subsections, and to  
6 any other legal process brought, by a State agency admin-  
7 istering a program under a State plan approved under this  
8 part or by an individual obligee, to enforce the legal obliga-  
9 tion of the individual to provide child support or alimony.

10       “(b) CONSENT TO REQUIREMENTS APPLICABLE TO  
11 PRIVATE PERSON.—With respect to notice to withhold in-  
12 come pursuant to subsection (a)(1) or (b) of section 466,  
13 or any other order or process to enforce support obliga-  
14 tions against an individual (if the order or process con-  
15 tains or is accompanied by sufficient data to permit  
16 prompt identification of the individual and the moneys in-  
17 volved), each governmental entity specified in subsection  
18 (a) shall be subject to the same requirements as would  
19 apply if the entity were a private person, except as other-  
20 wise provided in this section.

21       “(c) DESIGNATION OF AGENT; RESPONSE TO NOTICE  
22 OR PROCESS—

23               “(1) DESIGNATION OF AGENT.—The head of  
24 each agency subject to this section shall—

1           “(A) designate an agent or agents to re-  
2           ceive orders and accept service of process in  
3           matters relating to child support or alimony;  
4           and

5           “(B) annually publish in the Federal Reg-  
6           ister the designation of the agent or agents,  
7           identified by title or position, mailing address,  
8           and telephone number.

9           “(2) RESPONSE TO NOTICE OR PROCESS.—If an  
10          agent designated pursuant to paragraph (1) of this  
11          subsection receives notice pursuant to State proce-  
12          dures in effect pursuant to subsection (a)(1) or (b)  
13          of section 466, or is effectively served with any  
14          order, process, or interrogatory, with respect to an  
15          individual’s child support or alimony payment obli-  
16          gations, the agent shall—

17               “(A) as soon as possible (but not later  
18               than 15 days) thereafter, send written notice of  
19               the notice or service (together with a copy of  
20               the notice or service) to the individual at the  
21               duty station or last-known home address of the  
22               individual;

23               “(B) within 30 days (or such longer period  
24               as may be prescribed by applicable State law)  
25               after receipt of a notice pursuant to such State

1 procedures, comply with all applicable provi-  
2 sions of section 466; and

3 “(C) within 30 days (or such longer period  
4 as may be prescribed by applicable State law)  
5 after effective service of any other such order,  
6 process, or interrogatory, respond to the order,  
7 process, or interrogatory.

8 “(d) PRIORITY OF CLAIMS.—If a governmental entity  
9 specified in subsection (a) receives notice or is served with  
10 process, as provided in this section, concerning amounts  
11 owed by an individual to more than 1 person—

12 “(1) support collection under section 466(b)  
13 must be given priority over any other process, as  
14 provided in section 466(b)(7);

15 “(2) allocation of moneys due or payable to an  
16 individual among claimants under section 466(b)  
17 shall be governed by section 466(b) and the regula-  
18 tions prescribed under such section; and

19 “(3) such moneys as remain after compliance  
20 with paragraphs (1) and (2) shall be available to  
21 satisfy any other such processes on a 1st-come, 1st-  
22 served basis, with any such process being satisfied  
23 out of such moneys as remain after the satisfaction  
24 of all such processes which have been previously  
25 served.

1       “(e) NO REQUIREMENT TO VARY PAY CYCLES.—A  
2 governmental entity that is affected by legal process  
3 served for the enforcement of an individual’s child support  
4 or alimony payment obligations shall not be required to  
5 vary its normal pay and disbursement cycle in order to  
6 comply with the legal process.

7       “(f) RELIEF FROM LIABILITY.—

8           “(1) Neither the United States, nor the govern-  
9 ment of the District of Columbia, nor any disbursing  
10 officer shall be liable with respect to any payment  
11 made from moneys due or payable from the United  
12 States to any individual pursuant to legal process  
13 regular on its face, if the payment is made in ac-  
14 cordance with this section and the regulations issued  
15 to carry out this section.

16           “(2) No Federal employee whose duties include  
17 taking actions necessary to comply with the require-  
18 ments of subsection (a) with regard to any individ-  
19 ual shall be subject under any law to any discipli-  
20 nary action or civil or criminal liability or penalty  
21 for, or on account of, any disclosure of information  
22 made by the employee in connection with the carry-  
23 ing out of such actions.

24       “(g) REGULATIONS.—Authority to promulgate regu-  
25 lations for the implementation of this section shall, insofar



1 as this section applies to moneys due from (or payable  
2 by)—

3           “(1) the United States (other than the legisla-  
4           tive or judicial branches of the Federal Government)  
5           or the government of the District of Columbia, be  
6           vested in the President (or the designee of the Presi-  
7           dent);

8           “(2) the legislative branch of the Federal Gov-  
9           ernment, be vested jointly in the President pro tem-  
10          pore of the Senate and the Speaker of the House of  
11          Representatives (or their designees), and

12          “(3) the judicial branch of the Federal Govern-  
13          ment, be vested in the Chief Justice of the United  
14          States (or the designee of the Chief Justice).

15          “(h) MONEYS SUBJECT TO PROCESS.—

16               “(1) IN GENERAL.—Subject to paragraph (2),  
17               moneys paid or payable to an individual which are  
18               considered to be based upon remuneration for em-  
19               ployment, for purposes of this section—

20                       “(A) consist of—

21                               “(i) compensation paid or payable for  
22                               personal services of the individual, whether  
23                               the compensation is denominated as wages,  
24                               salary, commission, bonus, pay, allowances,

1 or otherwise (including severance pay, sick  
2 pay, and incentive pay);

3 “(ii) periodic benefits (including a  
4 periodic benefit as defined in section  
5 228(h)(3)) or other payments—

6 “(I) under the insurance system  
7 established by title II;

8 “(II) under any other system or  
9 fund established by the United States  
10 which provides for the payment of  
11 pensions, retirement or retired pay,  
12 annuities, dependents’ or survivors’  
13 benefits, or similar amounts payable  
14 on account of personal services per-  
15 formed by the individual or any other  
16 individual;

17 “(III) as compensation for death  
18 under any Federal program;

19 “(IV) under any Federal pro-  
20 gram established to provide ‘black  
21 lung’ benefits; or

22 “(V) by the Secretary of Veter-  
23 ans Affairs as pension, or as com-  
24 pensation for a service-connected dis-  
25 ability or death (except any compensa-

1           tion paid by the Secretary to a mem-  
2           ber of the Armed Forces who is in re-  
3           ceipt of retired or retainer pay if the  
4           member has waived a portion of the  
5           retired pay of the member in order to  
6           receive the compensation); and

7           “(iii) workers’ compensation benefits  
8           paid under Federal or State law; but

9           “(B) do not include any payment—

10           “(i) by way of reimbursement or oth-  
11           erwise, to defray expenses incurred by the  
12           individual in carrying out duties associated  
13           with the employment of the individual; or

14           “(ii) as allowances for members of the  
15           uniformed services payable pursuant to  
16           chapter 7 of title 37, United States Code,  
17           as prescribed by the Secretaries concerned  
18           (defined by section 101(5) of such title) as  
19           necessary for the efficient performance of  
20           duty.

21           “(2) CERTAIN AMOUNTS EXCLUDED.—In deter-  
22           mining the amount of any moneys due from, or pay-  
23           able by, the United States to any individual, there  
24           shall be excluded amounts which—

1           “(A) are owed by the individual to the  
2 United States;

3           “(B) are required by law to be, and are,  
4 deducted from the remuneration or other pay-  
5 ment involved, including Federal employment  
6 taxes, and fines and forfeitures ordered by  
7 court-martial;

8           “(C) are properly withheld for Federal,  
9 State, or local income tax purposes, if the with-  
10 holding of the amounts is authorized or re-  
11 quired by law and if amounts withheld are not  
12 greater than would be the case if the individual  
13 claimed all dependents to which he was entitled  
14 (the withholding of additional amounts pursu-  
15 ant to section 3402(i) of the Internal Revenue  
16 Code of 1986 may be permitted only when the  
17 individual presents evidence of a tax obligation  
18 which supports the additional withholding);

19           “(D) are deducted as health insurance pre-  
20 miums;

21           “(E) are deducted as normal retirement  
22 contributions (not including amounts deducted  
23 for supplementary coverage); or

24           “(F) are deducted as normal life insurance  
25 premiums from salary or other remuneration

1           for employment (not including amounts de-  
2           ducted for supplementary coverage).

3           “(i) DEFINITIONS.—As used in this section:

4           “(1) UNITED STATES.—The term ‘United  
5           States’ includes any department, agency, or instru-  
6           mentality of the legislative, judicial, or executive  
7           branch of the Federal Government, the United  
8           States Postal Service, the Postal Rate Commission,  
9           any Federal corporation created by an Act of Con-  
10          gress that is wholly owned by the Federal Govern-  
11          ment, and the governments of the territories and  
12          possessions of the United States.

13          “(2) CHILD SUPPORT.—The term ‘child sup-  
14          port’, when used in reference to the legal obligations  
15          of an individual to provide such support, means peri-  
16          odic payments of funds for the support and mainte-  
17          nance of a child or children with respect to which  
18          the individual has such an obligation, and (subject  
19          to and in accordance with State law) includes pay-  
20          ments to provide for health care, education, recre-  
21          ation, clothing, or to meet other specific needs of  
22          such a child or children, and includes attorney’s  
23          fees, interest, and court costs, when and to the ex-  
24          tent that the same are expressly made recoverable as  
25          such pursuant to a decree, order, or judgment issued

1 in accordance with applicable State law by a court  
2 of competent jurisdiction.

3 “(3) ALIMONY.—The term ‘alimony’, when used  
4 in reference to the legal obligations of an individual  
5 to provide the same, means periodic payments of  
6 funds for the support and maintenance of the spouse  
7 (or former spouse) of the individual, and (subject to  
8 and in accordance with State law) includes separate  
9 maintenance, alimony pendente lite, maintenance,  
10 and spousal support, and includes attorney’s fees,  
11 interest, and court costs when and to the extent that  
12 the same are expressly made recoverable as such  
13 pursuant to a decree, order, or judgment issued in  
14 accordance with applicable State law by a court of  
15 competent jurisdiction. Such term does not include  
16 any payment or transfer of property or its value by  
17 an individual to the spouse or a former spouse of the  
18 individual in compliance with any community prop-  
19 erty settlement, equitable distribution of property, or  
20 other division of property between spouses or former  
21 spouses.

22 “(4) PRIVATE PERSON.—The term ‘private per-  
23 son’ means a person who does not have sovereign or  
24 other special immunity or privilege which causes the  
25 person not to be subject to legal process.

1           “(5) LEGAL PROCESS.—The term ‘legal proc-  
2           ess’ means any writ, order, summons, or other simi-  
3           lar process in the nature of garnishment—

4                   “(A) which is issued by—

5                           “(i) a court of competent jurisdiction  
6                           in any State, territory, or possession of the  
7                           United States;

8                           “(ii) a court of competent jurisdiction  
9                           in any foreign country with which the  
10                          United States has entered into an agree-  
11                          ment which requires the United States to  
12                          honor the process; or

13                          “(iii) an authorized official pursuant  
14                          to an order of such a court of competent  
15                          jurisdiction or pursuant to State or local  
16                          law; and

17                          “(B) which is directed to, and the purpose  
18                          of which is to compel, a governmental entity  
19                          which holds moneys which are otherwise pay-  
20                          able to an individual to make a payment from  
21                          the moneys to another party in order to satisfy  
22                          a legal obligation of the individual to provide  
23                          child support or make alimony payments.”.

24           (b) CONFORMING AMENDMENTS.—

1           (1) TO PART D OF TITLE IV.—Sections 461 and  
2           462 (42 U.S.C. 661 and 662) are repealed.

3           (2) TO TITLE 5, UNITED STATES CODE.—Sec-  
4           tion 5520a of title 5, United States Code, is amend-  
5           ed, in subsections (h)(2) and (i), by striking “sec-  
6           tions 459, 461, and 462 of the Social Security Act  
7           (42 U.S.C. 659, 661, and 662)” and inserting “sec-  
8           tion 459 of the Social Security Act (42 U.S.C.  
9           659)”.

10          (c) MILITARY RETIRED AND RETAINER PAY.—

11           (1) DEFINITION OF COURT.—Section  
12           1408(a)(1) of title 10, United States Code, is  
13           amended—

14                   (A) by striking “and” at the end of sub-  
15                   paragraph (B);

16                   (B) by striking the period at the end of  
17                   subparagraph (C) and inserting “; and”; and

18                   (C) by adding after subparagraph (C) the  
19                   following new subparagraph:

20                           “(D) any administrative or judicial tribu-  
21                           nal of a State competent to enter orders for  
22                           support or maintenance (including a State  
23                           agency administering a program under a State  
24                           plan approved under part D of title IV of the  
25                           Social Security Act), and, for purposes of this



1           subparagraph, the term ‘State’ includes the  
2           District of Columbia, the Commonwealth of  
3           Puerto Rico, the Virgin Islands, Guam, and  
4           American Samoa.”.

5           (2) DEFINITION OF COURT ORDER.—Section  
6           1408(a)(2) of such title is amended by inserting “or  
7           a court order for the payment of child support not  
8           included in or accompanied by such a decree or set-  
9           tlement,” before “which—”.

10          (3) PUBLIC PAYEE.—Section 1408(d) of such  
11          title is amended—

12                (A) in the heading, by inserting “(OR FOR  
13                BENEFIT OF)” before “SPOUSE OR”; and

14                (B) in paragraph (1), in the 1st sentence,  
15                by inserting “(or for the benefit of such spouse  
16                or former spouse to a State disbursement unit  
17                established pursuant to section 454B of the So-  
18                cial Security Act or other public payee des-  
19                ignated by a State, in accordance with part D  
20                of title IV of the Social Security Act, as di-  
21                rected by court order, or as otherwise directed  
22                in accordance with such part D)” before “in an  
23                amount sufficient”.

1 (4) RELATIONSHIP TO PART D OF TITLE IV.—

2 Section 1408 of such title is amended by adding at  
3 the end the following new subsection:

4 “(j) RELATIONSHIP TO OTHER LAWS.—In any case  
5 involving an order providing for payment of child support  
6 (as defined in section 459(i)(2) of the Social Security Act)  
7 by a member who has never been married to the other  
8 parent of the child, the provisions of this section shall not  
9 apply, and the case shall be subject to the provisions of  
10 section 459 of such Act.”.

11 (d) EFFECTIVE DATE.—The amendments made by  
12 this section shall become effective 6 months after the date  
13 of the enactment of this Act.

14 **SEC. 7363. ENFORCEMENT OF CHILD SUPPORT OBLIGA-**  
15 **TIONS OF MEMBERS OF THE ARMED FORCES.**

16 (a) AVAILABILITY OF LOCATOR INFORMATION.—

17 (1) MAINTENANCE OF ADDRESS INFORMA-  
18 TION.—The Secretary of Defense shall establish a  
19 centralized personnel locator service that includes  
20 the address of each member of the Armed Forces  
21 under the jurisdiction of the Secretary. Upon re-  
22 quest of the Secretary of Transportation, addresses  
23 for members of the Coast Guard shall be included in  
24 the centralized personnel locator service.

25 (2) TYPE OF ADDRESS.—

1 (A) RESIDENTIAL ADDRESS.—Except as  
2 provided in subparagraph (B), the address for  
3 a member of the Armed Forces shown in the lo-  
4 cator service shall be the residential address of  
5 that member.

6 (B) DUTY ADDRESS.—The address for a  
7 member of the Armed Forces shown in the loca-  
8 tor service shall be the duty address of that  
9 member in the case of a member—

10 (i) who is permanently assigned over-  
11 seas, to a vessel, or to a routinely  
12 deployable unit; or

13 (ii) with respect to whom the Sec-  
14 retary concerned makes a determination  
15 that the member's residential address  
16 should not be disclosed due to national se-  
17 curity or safety concerns.

18 (3) UPDATING OF LOCATOR INFORMATION.—  
19 Within 30 days after a member listed in the locator  
20 service establishes a new residential address (or a  
21 new duty address, in the case of a member covered  
22 by paragraph (2)(B)), the Secretary concerned shall  
23 update the locator service to indicate the new ad-  
24 dress of the member.

1           (4) AVAILABILITY OF INFORMATION.—The Sec-  
2       retary of Defense shall make information regarding  
3       the address of a member of the Armed Forces listed  
4       in the locator service available, on request, to the  
5       Federal Parent Locator Service established under  
6       section 453 of the Social Security Act.

7           (b) FACILITATING GRANTING OF LEAVE FOR AT-  
8       TENDANCE AT HEARINGS.—

9           (1) REGULATIONS.—The Secretary of each  
10       military department, and the Secretary of Transpor-  
11       tation with respect to the Coast Guard when it is  
12       not operating as a service in the Navy, shall pre-  
13       scribe regulations to facilitate the granting of leave  
14       to a member of the Armed Forces under the juris-  
15       diction of that Secretary in a case in which—

16                   (A) the leave is needed for the member to  
17                   attend a hearing described in paragraph (2);

18                   (B) the member is not serving in or with  
19                   a unit deployed in a contingency operation (as  
20                   defined in section 101 of title 10, United States  
21                   Code); and

22                   (C) the exigencies of military service (as  
23                   determined by the Secretary concerned) do not  
24                   otherwise require that such leave not be grant-  
25                   ed.

1           (2) COVERED HEARINGS.—Paragraph (1) ap-  
2           plies to a hearing that is conducted by a court or  
3           pursuant to an administrative process established  
4           under State law, in connection with a civil action—

5                   (A) to determine whether a member of the  
6           Armed Forces is a natural parent of a child; or

7                   (B) to determine an obligation of a mem-  
8           ber of the Armed Forces to provide child sup-  
9           port.

10           (3) DEFINITIONS.—For purposes of this sub-  
11           section:

12                   (A) The term “court” has the meaning  
13           given that term in section 1408(a) of title 10,  
14           United States Code.

15                   (B) The term “child support” has the  
16           meaning given such term in section 459(i) of  
17           the Social Security Act (42 U.S.C. 659(i)).

18           (c) PAYMENT OF MILITARY RETIRED PAY IN COM-  
19           PLIANCE WITH CHILD SUPPORT ORDERS.—

20                   (1) DATE OF CERTIFICATION OF COURT  
21           ORDER.—Section 1408 of title 10, United States  
22           Code, as amended by section 7362(c)(4), is amend-  
23           ed—

24                   (A) by redesignating subsections (i) and (j)  
25           as subsections (j) and (k), respectively; and

1 (B) by inserting after subsection (h) the  
2 following new subsection:

3 “(i) CERTIFICATION DATE.—It is not necessary that  
4 the date of a certification of the authenticity or complete-  
5 ness of a copy of a court order for child support received  
6 by the Secretary concerned for the purposes of this section  
7 be recent in relation to the date of receipt by the Sec-  
8 retary.”.

9 (2) PAYMENTS CONSISTENT WITH ASSIGN-  
10 MENTS OF RIGHTS TO STATES.—Section 1408(d)(1)  
11 of such title is amended by inserting after the 1st  
12 sentence the following: “In the case of a spouse or  
13 former spouse who assigns to a State the rights of  
14 the spouse or former spouse to receive support, the  
15 Secretary concerned may make the child support  
16 payments referred to in the preceding sentence to  
17 that State in amounts consistent with that assign-  
18 ment of rights.”.

19 (3) ARREARAGES OWED BY MEMBERS OF THE  
20 UNIFORMED SERVICES.—Section 1408(d) of such  
21 title is amended by adding at the end the following  
22 new paragraph:

23 “(6) In the case of a court order for which effective  
24 service is made on the Secretary concerned on or after  
25 the date of the enactment of this paragraph and which

1 provides for payments from the disposable retired pay of  
2 a member to satisfy the amount of child support set forth  
3 in the order, the authority provided in paragraph (1) to  
4 make payments from the disposable retired pay of a mem-  
5 ber to satisfy the amount of child support set forth in a  
6 court order shall apply to payment of any amount of child  
7 support arrearages set forth in that order as well as to  
8 amounts of child support that currently become due.”.

9           (4) PAYROLL DEDUCTIONS.—The Secretary of  
10 Defense shall begin payroll deductions within 30  
11 days after receiving notice of withholding, or for the  
12 1st pay period that begins after such 30-day period.

13 **SEC. 7364. VOIDING OF FRAUDULENT TRANSFERS.**

14 Section 466 (42 U.S.C. 666), as amended by section  
15 7321, is amended by adding at the end the following new  
16 subsection:

17       “(g) In order to satisfy section 454(20)(A), each  
18 State must have in effect—

19           “(1)(A) the Uniform Fraudulent Conveyance  
20 Act of 1981;

21           “(B) the Uniform Fraudulent Transfer Act of  
22 1984; or

23           “(C) another law, specifying indicia of fraud  
24 which create a prima facie case that a debtor trans-  
25 ferred income or property to avoid payment to a

1 child support creditor, which the Secretary finds af-  
2 fords comparable rights to child support creditors;  
3 and

4 “(2) procedures under which, in any case in  
5 which the State knows of a transfer by a child sup-  
6 port debtor with respect to which such a prima facie  
7 case is established, the State must—

8 “(A) seek to void such transfer; or

9 “(B) obtain a settlement in the best inter-  
10 ests of the child support creditor.”.

11 **SEC. 7365. WORK REQUIREMENT FOR PERSONS OWING**  
12 **CHILD SUPPORT.**

13 Section 466(a) (42 U.S.C. 666(a)), as amended by  
14 sections 7301(a), 7315, 7317(a), and 7323, is amended  
15 by adding at the end the following new paragraph:

16 “(15) Procedures requiring the State, in any  
17 case in which an individual owes support with re-  
18 spect to a child receiving services under this part, to  
19 seek a court order or administrative order that re-  
20 quires the individual to—

21 “(A) pay such support in accordance with  
22 a plan approved by the court; or

23 “(B) if the individual is not working and  
24 is not incapacitated, participate in work activi-  
25 ties (including, at State option, work activities



1 as defined in section 482) as the court deems  
2 appropriate.”.

3 **SEC. 7366. DEFINITION OF SUPPORT ORDER.**

4 Section 453 (42 U.S.C. 653) as amended by sections  
5 7316 and 7345(b), is amended by adding at the end the  
6 following new subsection:

7 “(o) As used in this part, the term ‘support order’  
8 means a judgment, decree, or order, whether temporary,  
9 final, or subject to modification, issued by a court or an  
10 administrative agency of competent jurisdiction, for the  
11 support and maintenance of a child, including a child who  
12 has attained the age of majority under the law of the issu-  
13 ing State, or a child and the parent with whom the child  
14 is living, which provides for monetary support, health care,  
15 arrearages, or reimbursement, and which may include re-  
16 lated costs and fees, interest and penalties, income with-  
17 holding, attorneys’ fees, and other relief.”.

18 **SEC. 7367. REPORTING ARREARAGES TO CREDIT BUREAUS.**

19 Section 466(a)(7) (42 U.S.C. 666(a)(7)) is amended  
20 to read as follows:

21 “(7)(A) Procedures (subject to safeguards pur-  
22 suant to subparagraph (B)) requiring the State to  
23 report periodically to consumer reporting agencies  
24 (as defined in section 603(f) of the Fair Credit Re-  
25 porting Act (15 U.S.C. 1681a(f)) the name of any

1 absent parent who is delinquent in the payment of  
2 support, and the amount of overdue support owed by  
3 such parent.

4 “(B) Procedures ensuring that, in carrying out  
5 subparagraph (A), information with respect to an  
6 absent parent is reported—

7 “(i) only after such parent has been af-  
8 firmed all due process required under State law,  
9 including notice and a reasonable opportunity  
10 to contest the accuracy of such information;  
11 and

12 “(ii) only to an entity that has furnished  
13 evidence satisfactory to the State that the en-  
14 tity is a consumer reporting agency.”.

15 **SEC. 7368. LIENS.**

16 Section 466(a)(4) (42 U.S.C. 666(a)(4)) is amended  
17 to read as follows:

18 “(4) Procedures under which—

19 “(A) liens arise by operation of law against  
20 real and personal property for amounts of over-  
21 due support owed by an absent parent who re-  
22 sides or owns property in the State; and

23 “(B) the State accords full faith and credit  
24 to liens described in subparagraph (A) arising

1           in another State, without registration of the un-  
2           derlying order.”.

3 **SEC. 7369. STATE LAW AUTHORIZING SUSPENSION OF LI-**  
4                                   **CENSES.**

5           Section 466(a) (42 U.S.C. 666(a)), as amended by  
6 sections 7315, 7317(a), 7323, and 7365, is amended by  
7 adding at the end the following new paragraph:

8           “(16) Procedures under which the State has  
9           (and uses in appropriate cases) authority to withhold  
10          or suspend, or to restrict the use of, driver’s li-  
11          censes, professional and occupational licenses, and  
12          recreational licenses of individuals owing overdue  
13          support or failing, after receiving appropriate notice,  
14          to comply with subpoenas or warrants relating to  
15          paternity or child support proceedings.”.

16 **SEC. 7370. DENIAL OF PASSPORTS FOR NONPAYMENT OF**  
17                                   **CHILD SUPPORT.**

18          (a) HHS CERTIFICATION PROCEDURE.—

19                 (1) SECRETARIAL RESPONSIBILITY.—Section  
20          452 (42 U.S.C. 652), as amended by section 7345,  
21          is amended by adding at the end the following new  
22          subsection:

23          “(k)(1) If the Secretary receives a certification by a  
24          State agency in accordance with the requirements of sec-  
25          tion 454(31) that an individual owes arrearages of child

1 support in an amount exceeding \$5,000, the Secretary  
2 shall transmit such certification to the Secretary of State  
3 for action (with respect to denial, revocation, or limitation  
4 of passports) pursuant to section 7370(b) of the Balanced  
5 Budget Reconciliation Act of 1995.

6 “(2) The Secretary shall not be liable to an individual  
7 for any action with respect to a certification by a State  
8 agency under this section.”.

9 (2) STATE CSE AGENCY RESPONSIBILITY.—Sec-  
10 tion 454 (42 U.S.C. 654), as amended by sections  
11 7301(b), 7304(a), 7312(b), 7313(a), 7333, and  
12 7343(a), is amended—

13 (A) by striking “and” at the end of para-  
14 graph (29);

15 (B) by striking the period at the end of  
16 paragraph (30) and inserting “; and”; and

17 (C) by adding after paragraph (30) the fol-  
18 lowing new paragraph:

19 “(31) provide that the State agency will have in  
20 effect a procedure (which may be combined with the  
21 procedure for tax refund offset under section 464)  
22 for certifying to the Secretary, for purposes of the  
23 procedure under section 452(k) (concerning denial of  
24 passports), determinations that individuals owe ar-

1 rearages of child support in an amount exceeding  
2 \$5,000, under which procedure—

3 “(A) each individual concerned is afforded  
4 notice of such determination and the con-  
5 sequences thereof, and an opportunity to con-  
6 test the determination; and

7 “(B) the certification by the State agency  
8 is furnished to the Secretary in such format,  
9 and accompanied by such supporting docu-  
10 mentation, as the Secretary may require.”.

11 (b) STATE DEPARTMENT PROCEDURE FOR DENIAL  
12 OF PASSPORTS.—

13 (1) IN GENERAL.—The Secretary of State shall,  
14 upon certification by the Secretary of Health and  
15 Human Services transmitted under section 452(k) of  
16 the Social Security Act, refuse to issue a passport to  
17 such individual, and may revoke, restrict, or limit a  
18 passport issued previously to such individual.

19 (2) LIMIT ON LIABILITY.—The Secretary of  
20 State shall not be liable to an individual for any ac-  
21 tion with respect to a certification by a State agency  
22 under this section.

23 (c) EFFECTIVE DATE.—This section and the amend-  
24 ments made by this section shall become effective October  
25 1, 1996.

1 **SEC. 7371. INTERNATIONAL CHILD SUPPORT ENFORCE-**  
2 **MENT.**

3 The Secretary of State is authorized to negotiate re-  
4 ciprocal agreements with foreign nations on behalf of the  
5 States, territories, and possessions of the United States  
6 regarding the international enforcement of child support  
7 obligations and designating the Department of Health and  
8 Human Services as the central authority for such enforce-  
9 ment.

10 **SEC. 7372. DENIAL OF MEANS-TESTED FEDERAL BENEFITS**  
11 **TO NONCUSTODIAL PARENTS WHO ARE DE-**  
12 **LINQUENT IN PAYING CHILD SUPPORT.**

13 (a) **IN GENERAL.**—Notwithstanding any other provi-  
14 sion of law, a non-custodial parent who is more than 2  
15 months delinquent in paying child support shall not be eli-  
16 gible to receive any means-tested Federal benefits.

17 (b) **EXCEPTION.**—

18 (1) **IN GENERAL.**—Subsection (a) shall not  
19 apply to an unemployed non-custodial parent who is  
20 more than 2 months delinquent in paying child sup-  
21 port if such parent—

22 (A) enters into a schedule of repayment for  
23 past due child support with the entity that is-  
24 sued the underlying child support order; and

1 (B) meets all of the terms of repayment  
2 specified in the schedule of repayment as en-  
3 forced by the appropriate disbursing entity.

4 (2) 2-YEAR EXCLUSION.—(A) A non-custodial  
5 parent who becomes delinquent in child support a  
6 second time or any subsequent time shall not be eli-  
7 gible to receive any means-tested Federal benefits  
8 for a 2-year period beginning on the date that such  
9 parent failed to meet such terms.

10 (B) At the end of that two-year period, para-  
11 graph (A) shall once again apply to that individual.

12 (c) MEANS-TESTED FEDERAL BENEFITS.— For pur-  
13 poses of this section, the term “means-tested Federal ben-  
14 efits” means benefits under any program of assistance,  
15 funded in whole or in part, by the Federal Government,  
16 for which eligibility for benefits is based on need.

17 **SEC. 7373. CHILD SUPPORT ENFORCEMENT FOR INDIAN**  
18 **TRIBES.**

19 (a) CHILD SUPPORT ENFORCEMENT AGREE-  
20 MENTS.—Section 454 (42 U.S.C. 654), as amended by  
21 sections 7301(b), 7304(a), 7312(b), 9313(a), 7333,  
22 7343(a), and 7370(a)(2) is amended—

23 (1) by striking “and” at the end of paragraph  
24 (30);

1           (2) by striking the period at the end of para-  
2 graph (31) and inserting “; and”; and

3           (3) by adding after paragraph (31) the follow-  
4 ing new paragraph:

5           “(32) provide that a State that receives funding  
6 pursuant to section 429 and that has within its bor-  
7 ders Indian country (as defined in section 1151 of  
8 title 18, United States Code) shall, through the  
9 State administering agency, make reasonable efforts  
10 to enter into cooperative agreements with an Indian  
11 tribe or tribal organization (as defined in paragraphs  
12 (1) and (2) of section 428(c)), if the Indian tribe or  
13 tribal organization demonstrates that such tribe or  
14 organization has an established tribal court system  
15 or a Court of Indian Offenses with the authority to  
16 establish paternity, establish and enforce support or-  
17 ders, and to enter support orders in accordance with  
18 child support guidelines established by such tribe or  
19 organization, under which the State and tribe or or-  
20 ganization shall provide for the cooperative delivery  
21 of child support enforcement services in Indian coun-  
22 try and for the forwarding of all funding collected  
23 pursuant to the functions performed by the tribe or  
24 organization to the State agency, or conversely, by  
25 the State agency to the tribe or organization, which



1 shall distribute such funding in accordance with  
2 such agreement.”.

3 (b) DIRECT FEDERAL FUNDING TO INDIAN TRIBES  
4 AND TRIBAL ORGANIZATIONS.—Section 455 (42 U.S.C.  
5 655) is amended by adding at the end the following new  
6 subsection:

7 “(b) The Secretary may, in appropriate cases, make  
8 direct payments under this part to an Indian tribe or trib-  
9 al organization which has an approved child support en-  
10 forcement plan under this title. In determining whether  
11 such payments are appropriate, the Secretary shall, at a  
12 minimum, consider whether services are being provided to  
13 eligible Indian recipients by the State agency through an  
14 agreement entered into pursuant to section 454(32). The  
15 Secretary shall provide for an appropriate adjustment to  
16 the State allotment under this section to take into account  
17 any payments made under this subsection to Indian tribes  
18 or tribal organizations located within such State.”.

19 (c) COOPERATIVE ENFORCEMENT AGREEMENTS.—  
20 Paragraph (7) of section 454 (42 U.S.C. 654) is amended  
21 by inserting “and Indian tribes or tribal organizations (as  
22 defined in section 450(b) of title 25, United States Code)”  
23 after “law enforcement officials”.

1 **SEC. 7374. FINANCIAL INSTITUTION DATA MATCHES.**

2 Section 466(a) (42 U.S.C. 666(a)), as amended by  
3 sections 7315, 7317(a), 7323, 7365, and 7369, is amend-  
4 ed by adding at the end the following new paragraph:

5 “(17) Procedures under which the State agency  
6 shall enter into agreements with financial institu-  
7 tions doing business within the State to develop and  
8 operate a data match system, using automated data  
9 exchanges to the maximum extent feasible, in which  
10 such financial institutions are required to provide for  
11 each calendar quarter the name, record address, so-  
12 cial security number, and other identifying informa-  
13 tion for each absent parent identified by the State  
14 who maintains an account at such institution and, in  
15 response to a notice of lien or levy, to encumber or  
16 surrender, as the case may be, assets held by such  
17 institution on behalf of any absent parent who is  
18 subject to a child support lien pursuant to para-  
19 graph (4). For purposes of this paragraph, the term  
20 ‘financial institution’ means Federal and State com-  
21 mercial savings banks, including savings and loan  
22 associations and cooperative banks, Federal and  
23 State chartered credit unions, benefit associations,  
24 insurance companies, safe deposit companies,  
25 money-market mutual funds, and any similar entity  
26 authorized to do business in the State, and the term

1 'account' means a demand deposit account, checking  
2 or negotiable withdrawal order account, savings ac-  
3 count, time deposit account, or money-market mu-  
4 tual fund account.”.

5 **SEC. 7375. CHILD SUPPORT ENFORCEMENT FEES FOR NON-**  
6 **ASSISTANCE FAMILIES.**

7 (a) **IN GENERAL.**—Part D of title IV (42 U.S.C.  
8 651–669), as amended by sections 7312(b) and  
9 7344(a)(2), is amended by inserting after section 454B  
10 the following new section:

11 **“SEC. 454C. COLLECTION OF CHILD SUPPORT ENFORCE-**  
12 **MENT COSTS AND FEES FOR NON-ASSIST-**  
13 **ANCE FAMILIES.**

14 **“(a) MANDATORY ENFORCEMENT FEES.—**

15 **“(1) IN GENERAL.**—With respect to individuals  
16 described in section 454(6)(B) for services described  
17 in section 454(4), the State, under the State plan,  
18 shall impose and collect an amount equal to the sum  
19 of the following fees:

20 **“(A) APPLICATION FEES.**—An application  
21 fee of \$25 per applicant.

22 **“(B) COLLECTION FEES.**—In addition to  
23 any child support collected, a collection fee in  
24 an amount equal to the applicable percentage of  
25 the amount of child support collected.

1           “(2) RULES REGARDING ENFORCEMENT  
2 FEES.—

3           “(A) IN GENERAL.—At the option of the  
4 State, the fees described in paragraph (1) may  
5 be—

6                   “(i) paid by individuals applying for  
7 the services described in section 454(4);

8                   “(ii) recovered from absent parents;  
9 or

10                   “(iii) paid by the State out of its own  
11 funds, the payment of which from State  
12 funds shall not be considered as an admin-  
13 istrative cost of the State for the operation  
14 of the plan, and shall be considered income  
15 to the program.

16           “(B) LIMITATION OF COLLECTION FEES  
17 APPLIED TO CERTAIN CUSTODIAL PARENTS.—  
18 With respect to any individual to whom such  
19 services are made available—

20                   “(i) whose family income is below 185  
21 percent of the poverty line applicable to the  
22 size of the family involved (as defined in  
23 section 673(2) of the Community Services  
24 Block Grant Act (42 U.S.C. 9902(2)), in-  
25 cluding any revision required by such sec-

1           tion), no fee under paragraph (1)(B) may  
2           be collected from such individual;

3           “(ii) whose family income is not less  
4           than 185 percent nor more than 300 per-  
5           cent of such poverty line, such fee collected  
6           from such individual may not exceed 2 per-  
7           cent of the amount of child support col-  
8           lected; and

9           “(iii) whose family income is more  
10          than 300 percent of such poverty line, such  
11          fee collected from such individual may not  
12          exceed the amount of such fee collected  
13          from the absent parent.

14          “(C) MEANS-TESTED.—The State at its  
15          option may vary the amount of the fees under  
16          paragraph (1) among individuals on the basis of  
17          ability to pay.

18          “(D) APPLICABLE PERCENTAGE.—For  
19          purposes of paragraph (1)(B), the applicable  
20          percentage for any State shall equal such per-  
21          centage as is required, after taking into account  
22          subparagraphs (B) and (C), to provide an  
23          amount of total fees under paragraph (1) which  
24          equals the amount which would be provided by  
25          imposing the fee under paragraph (1)(A) and a

1           6.6 percent fee under paragraph (1)(B) without  
2           regard to such subparagraphs.

3           “(E) DISPOSITION OF COLLECTION  
4           FEES.—Notwithstanding any other provision of  
5           this part, 100 percent of any amount represent-  
6           ing collection fees under paragraph (1)(B) shall  
7           be remitted to the Federal Government.

8           “(b) PERMISSIVE FEES.—With respect to any indi-  
9           vidual described in section 454(6)(B), the State may im-  
10          pose—

11           “(1) a fee of not more than \$25 in any case  
12          where the State requests the Secretary of the Treas-  
13          ury to withhold past-due support owed to or on be-  
14          half of such individual from a tax refund pursuant  
15          to section 464(a)(2), and

16           “(2) a fee (in accordance with regulations of  
17          the Secretary) for performing genetic tests.

18           “(c) COLLECTION OF EXCESS COSTS OF ENFORCE-  
19          MENT.—With respect to any individual described in sec-  
20          tion 454(6)(B), any costs of enforcement under this part  
21          in excess of the fees imposed under this section may be  
22          collected—

23           “(1) from the parent who owes the child or  
24          spousal support obligation involved, or

1           “(2) at the option of the State, from the indi-  
2           vidual to whom such services are made available, but  
3           only if such State has in effect a procedure whereby  
4           all persons in such State having authority to order  
5           child or spousal support are informed that such  
6           costs are to be collected from the individual to whom  
7           such services were made available.”.

8           (b) SENSE OF THE SENATE.—It is the sense of the  
9           Senate that although States have the overall choice as to  
10          how to collect enforcement costs under part D of title IV  
11          of the Social Security Act, such States should pursue such  
12          collection from—

13                 (1) any noncustodial parent who denies pater-  
14                 nity and is later determined to be the father; and

15                 (2) any noncustodial parent who does not vol-  
16                 untarily comply with judicial or administrative en-  
17                 forcement orders under such part.

18   **SEC. 7376. ENFORCEMENT OF ORDERS AGAINST PATERNAL**  
19                         **GRANDPARENTS IN CASES OF MINOR PAR-**  
20                         **ENTS.**

21          Section 466(a) (42 U.S.C. 666(a)), as amended by  
22          sections 7315, 7317(a), 7323, 7365, 7369, and 7374, is  
23          amended by adding at the end the following new para-  
24          graph:

1           “(18) Procedures under which any child sup-  
2           port order enforced under this part with respect to  
3           a child of minor parents, if the mother of such child  
4           is receiving assistance under the State grant under  
5           part A, shall be enforceable, jointly and severally,  
6           against the paternal grandparents of such child.”.

7   **SEC. 7377. SENSE OF THE SENATE REGARDING THE INABIL-**  
8                           **ITY OF THE NON-CUSTODIAL PARENT TO PAY**  
9                           **CHILD SUPPORT.**

10          It is the sense of the Senate that—

11               (a) States should diligently continue their ef-  
12               forts to enforce child support payments by the non-  
13               custodial parent to the custodial parent, regardless  
14               of the employment status or location of the non-cus-  
15               todial parent; and

16               (b) States are encouraged to pursue pilot pro-  
17               grams in which the parents of a non-adult, non-cus-  
18               todial parent who refuses to or is unable to pay child  
19               support must—

20                       (1) pay or contribute to the child support  
21                       owed by the non-custodial parent; or

22                       (2) otherwise fulfill all financial obligations  
23                       and meet all conditions imposed on the non-cus-  
24                       todial parent, such as participation in a work  
25                       program or other related activity.



1           **CHAPTER 8—MEDICAL SUPPORT**

2   **SEC. 7378. TECHNICAL CORRECTION TO ERISA DEFINITION**

3                   **OF MEDICAL CHILD SUPPORT ORDER.**

4           (a) **IN GENERAL.**—Section 609(a)(2)(B) of the Em-  
5 ployee Retirement Income Security Act of 1974 (29  
6 U.S.C. 1169(a)(2)(B)) is amended—

7                   (1) by striking “issued by a court of competent  
8 jurisdiction”;

9                   (2) by striking the period at the end of clause  
10 (ii) and inserting a comma; and

11                   (3) by adding, after and below clause (ii), the  
12 following:

13                   “if such judgment, decree, or order (I) is issued  
14 by a court of competent jurisdiction or (II) is  
15 issued through an administrative process estab-  
16 lished under State law and has the force and ef-  
17 fect of law under applicable State law.”.

18           (b) **EFFECTIVE DATE.**—

19                   (1) **IN GENERAL.**—The amendments made by  
20 this section shall take effect on the date of the en-  
21 actment of this Act.

22                   (2) **PLAN AMENDMENTS NOT REQUIRED UNTIL**  
23 **JANUARY 1, 1996.**—Any amendment to a plan re-  
24 quired to be made by an amendment made by this  
25 section shall not be required to be made before the

1 1st plan year beginning on or after January 1,  
2 1996, if—

3 (A) during the period after the date before  
4 the date of the enactment of this Act and be-  
5 fore such 1st plan year, the plan is operated in  
6 accordance with the requirements of the amend-  
7 ments made by this section; and

8 (B) such plan amendment applies retro-  
9 actively to the period after the date before the  
10 date of the enactment of this Act and before  
11 such 1st plan year.

12 A plan shall not be treated as failing to be operated  
13 in accordance with the provisions of the plan merely  
14 because it operates in accordance with this para-  
15 graph.

16 **SEC. 7379. ENFORCEMENT OF ORDERS FOR HEALTH CARE**  
17 **COVERAGE.**

18 Section 466(a) (42 U.S.C. 666(a)), as amended by  
19 sections 7315, 7317(a), 7323, 7365, 7369, 7374, and  
20 7376, is amended by adding at the end the following new  
21 paragraph:

22 “(19) Procedures under which all child support  
23 orders enforced under this part shall include a provi-  
24 sion for the health care coverage of the child, and  
25 in the case in which an absent parent provides such

1 coverage and changes employment, and the new em-  
2 ployer provides health care coverage, the State agen-  
3 cy shall transfer notice of the provision to the em-  
4 ployer, which notice shall operate to enroll the child  
5 in the absent parent's health plan, unless the absent  
6 parent contests the notice.”.

7 **CHAPTER 9—ENHANCING RESPONSIBIL-**  
8 **ITY AND OPPORTUNITY FOR**  
9 **NONRESIDENTIAL PARENTS**

10 **SEC. 7381. GRANTS TO STATES FOR ACCESS AND VISITA-**  
11 **TION PROGRAMS.**

12 Part D of title IV (42 U.S.C. 651–669) is amended  
13 by adding at the end the following new section:

14 **“SEC. 469A. GRANTS TO STATES FOR ACCESS AND VISITA-**  
15 **TION PROGRAMS.**

16 “(a) **IN GENERAL.**—The Administration for Children  
17 and Families shall make grants under this section to en-  
18 able States to establish and administer programs to sup-  
19 port and facilitate absent parents’ access to and visitation  
20 of their children, by means of activities including medi-  
21 ation (both voluntary and mandatory); counseling, edu-  
22 cation, development of parenting plans, visitation enforce-  
23 ment (including monitoring, supervision and neutral drop-  
24 off and pickup), and development of guidelines for visita-  
25 tion and alternative custody arrangements.

1       “(b) AMOUNT OF GRANT.—The amount of the grant  
2 to be made to a State under this section for a fiscal year  
3 shall be an amount equal to the lesser of—

4           “(1) 90 percent of State expenditures during  
5 the fiscal year for activities described in subsection  
6 (a); or

7           “(2) the allotment of the State under sub-  
8 section (c) for the fiscal year.

9       “(c) ALLOTMENTS TO STATES.—

10           “(1) IN GENERAL.—The allotment of a State  
11 for a fiscal year is the amount that bears the same  
12 ratio to the amount appropriated for grants under  
13 this section for the fiscal year as the number of chil-  
14 dren in the State living with only 1 biological parent  
15 bears to the total number of such children in all  
16 States.

17           “(2) MINIMUM ALLOTMENT.—The Administra-  
18 tion for Children and Families shall adjust allot-  
19 ments to States under paragraph (1) as necessary to  
20 ensure that no State is allotted less than—

21           “(A) \$50,000 for fiscal year 1996 or 1997;

22           or

23           “(B) \$100,000 for any succeeding fiscal  
24 year.

1       “(d) NO SUPPLANTATION OF STATE EXPENDITURES  
2 FOR SIMILAR ACTIVITIES.—A State to which a grant is  
3 made under this section may not use the grant to supplant  
4 expenditures by the State for activities specified in sub-  
5 section (a), but shall use the grant to supplement such  
6 expenditures at a level at least equal to the level of such  
7 expenditures for fiscal year 1995.

8       “(e) STATE ADMINISTRATION.—Each State to which  
9 a grant is made under this section—

10           “(1) may administer State programs funded  
11 with the grant, directly or through grants to or con-  
12 tracts with courts, local public agencies, or nonprofit  
13 private entities;

14           “(2) shall not be required to operate such pro-  
15 grams on a statewide basis; and

16           “(3) shall monitor, evaluate, and report on such  
17 programs in accordance with regulations prescribed  
18 by the Secretary.”.

## 19       **CHAPTER 10—EFFECT OF ENACTMENT**

### 20       **SEC. 7391. EFFECTIVE DATES.**

21       (a) IN GENERAL.—Except as otherwise specifically  
22 provided (but subject to subsections (b) and (c))—

23           (1) the provisions of this subtitle requiring the  
24 enactment or amendment of State laws under sec-  
25 tion 466 of the Social Security Act, or revision of

1 State plans under section 454 of such Act, shall be  
2 effective with respect to periods beginning on and  
3 after October 1, 1996; and

4 (2) all other provisions of this subtitle shall be-  
5 come effective upon the date of the enactment of  
6 this Act.

7 (b) GRACE PERIOD FOR STATE LAW CHANGES.—The  
8 provisions of this subtitle shall become effective with re-  
9 spect to a State on the later of—

10 (1) the date specified in this subtitle, or

11 (2) the effective date of laws enacted by the leg-  
12 islature of such State implementing such provisions,  
13 but in no event later than the 1st day of the 1st calendar  
14 quarter beginning after the close of the 1st regular session  
15 of the State legislature that begins after the date of the  
16 enactment of this Act. For purposes of the previous sen-  
17 tence, in the case of a State that has a 2-year legislative  
18 session, each year of such session shall be deemed to be  
19 a separate regular session of the State legislature.

20 (c) GRACE PERIOD FOR STATE CONSTITUTIONAL  
21 AMENDMENT.—A State shall not be found out of compli-  
22 ance with any requirement enacted by this subtitle if the  
23 State is unable to so comply without amending the State  
24 constitution until the earlier of—

1 (1) 1 year after the effective date of the nec-  
2 essary State constitutional amendment; or

3 (2) 5 years after the date of the enactment of  
4 this subtitle.

## 5 **Subtitle F—Noncitizens**

### 6 **SEC. 7401. STATE OPTION TO PROHIBIT ASSISTANCE FOR** 7 **CERTAIN ALIENS.**

8 (a) **IN GENERAL.**—A State may, at its option, pro-  
9 hibit the use of any Federal funds received for the provi-  
10 sion of assistance under any means-tested public assist-  
11 ance program for any individual who is a noncitizen of  
12 the United States.

13 (b) **EXCEPTIONS.**—Subsection (a) shall not apply  
14 to—

15 (1) any individual who is described in subclause  
16 (II), (III), or (IV) of section 1614(a)(1)(B)(i) of the  
17 Social Security Act (42 U.S.C. 1382c(a)(1)(B)(i));  
18 and

19 (2) any program described in section  
20 7402(f)(2).

### 21 **SEC. 7402. DEEMED INCOME REQUIREMENT FOR FEDERAL** 22 **AND FEDERALLY FUNDED PROGRAMS.**

23 (a) **DEEMING REQUIREMENT FOR FEDERAL AND**  
24 **FEDERALLY FUNDED PROGRAMS.**—Subject to subsection  
25 (d), for purposes of determining the eligibility of an indi-

1 vidual (whether a citizen or national of the United States  
2 or an alien) for assistance and the amount of assistance,  
3 under any Federal program of assistance provided or  
4 funded, in whole or in part, by the Federal Government  
5 for which eligibility is based on need, the income and re-  
6 sources described in subsection (b) shall, notwithstanding  
7 any other provision of law, be deemed to be the income  
8 and resources of such individual.

9 (b) DEEMED INCOME AND RESOURCES.—The income  
10 and resources described in this subsection include the fol-  
11 lowing:

12 (1) The income and resources of any person  
13 who, as a sponsor of such individual's entry into the  
14 United States, or in order to enable such individual  
15 lawfully to remain in the United States, executed an  
16 affidavit of support or similar agreement with re-  
17 spect to such individual.

18 (2) The income and resources of the sponsor's  
19 spouse.

20 (c) LENGTH OF DEEMING PERIOD.—The require-  
21 ment of subsection (a) shall apply for the period for which  
22 the sponsor has agreed, in such affidavit or agreement,  
23 to provide support for such individual, or for a period of  
24 5 years beginning on the date such individual was first



1 lawfully in the United States after the execution of such  
2 affidavit or agreement, whichever period is longer.

3 (d) LIMITATION ON MEASUREMENT OF DEEMED IN-  
4 COME AND RESOURCES.—

5 (1) IN GENERAL.—If a determination described  
6 in paragraph (2) is made, the amount of income and  
7 resources of the sponsor or the sponsor's spouse  
8 which shall be attributed to the sponsored individual  
9 shall not exceed the amount actually provided, for a  
10 period beginning on the date of such determination  
11 and lasting 12 months or, if the address of the spon-  
12 sor is unknown to the sponsored individual on the  
13 date of such determination, for 12 months after the  
14 address becomes known to the sponsored individual  
15 or to the agency (which shall inform such individual  
16 within 7 days).

17 (2) DETERMINATION.—The determination de-  
18 scribed in this paragraph is a determination by an  
19 agency that a sponsored individual would, in the ab-  
20 sence of the assistance provided by the agency, be  
21 unable to obtain food and shelter, taking into ac-  
22 count the individual's own income, plus any cash,  
23 food, housing, or other assistance provided by other  
24 individuals, including the sponsor.

1 (e) DEEMING AUTHORITY TO STATE AND LOCAL  
2 AGENCIES.—

3 (1) IN GENERAL.—Notwithstanding any other  
4 provision of law, but subject to an exception equiva-  
5 lent to that in subsection (d), the State or local gov-  
6 ernment may, for purposes of determining the eligi-  
7 bility of an individual (whether a citizen or national  
8 of the United States or an alien) for assistance, and  
9 the amount of assistance, under any State or local  
10 program of assistance for which eligibility is based  
11 on need, or any need-based program of assistance  
12 administered by a State or local government other  
13 than a program described in subsection (a), require  
14 that the income and resources described in para-  
15 graph (2) be deemed to be the income and resources  
16 of such individual.

17 (2) DEEMED INCOME AND RESOURCES.—The  
18 income and resources described in this paragraph in-  
19 clude the following:

20 (A) The income and resources of any per-  
21 son who, as a sponsor of such individual's entry  
22 into the United States, or in order to enable  
23 such individual lawfully to remain in the United  
24 States, executed an affidavit of support or simi-  
25 lar agreement with respect to such individual.

1 (B) The income and resources of the spon-  
2 sor's spouse.

3 (3) LENGTH OF DEEMED INCOME PERIOD.—

4 Subject to an exception equivalent to subsection (d),  
5 a State or local government may impose a require-  
6 ment described in paragraph (1) for the period for  
7 which the sponsor has agreed, in such affidavit or  
8 agreement, to provide support for such individual, or  
9 for a period of 5 years beginning on the date such  
10 individual was first lawfully in the United States  
11 after the execution of such affidavit or agreement,  
12 whichever period is longer.

13 (f) APPLICABILITY OF SECTION.—

14 (1) INDIVIDUALS.—The provisions of this sec-  
15 tion shall not apply to the eligibility of any individ-  
16 ual who is described in subclause (II), (III), or (IV)  
17 of section 1614(a)(1)(B)(i) of the Social Security  
18 Act (42 U.S.C. 1382c(a)(1)(B)(i)).

19 (2) PROGRAMS.—The provisions of this section  
20 shall not apply to eligibility for—

21 (A) emergency medical services under title  
22 XXI of the Social Security Act;

23 (B) short-term emergency disaster relief;

24 (C) assistance or benefits under the Na-  
25 tional School Lunch Act;

1 (D) assistance or benefits under the Child  
2 Nutrition Act of 1966;

3 (E) public health assistance for immuniza-  
4 tions with respect to immunizable diseases and  
5 for testing and treatment for communicable dis-  
6 eases if the Secretary of Health and Human  
7 Services determines that such testing and treat-  
8 ment is necessary;

9 (F) the Head Start program (42 U.S.C.  
10 9801); and

11 (G) programs specified by the Attorney  
12 General, in the Attorney General's sole and  
13 unreviewable discretion after consultation with  
14 appropriate Federal agencies and departments,  
15 which (i) deliver services at the community  
16 level, including through public or private non-  
17 profit agencies; (ii) do not condition the provi-  
18 sion of assistance, the amount of assistance  
19 provided, or the cost of assistance provided on  
20 the individual recipient's income or resources;  
21 and (iii) are necessary for the protection of life,  
22 safety, or public health.

23 (g) CONFORMING AMENDMENTS.—

24 (1) Section 1621 (42 U.S.C. 1382j) is repealed.

1           (2) Section 1614(f)(3) (42 U.S.C. 1382c(f)(3))  
2           is amended by striking “section 1621” and inserting  
3           “section 7402 of the Balanced Budget Reconciliation  
4           Act of 1995”.

5   **SEC. 7403. REQUIREMENTS FOR SPONSOR'S AFFIDAVIT OF**  
6                                   **SUPPORT.**

7           (a) **ENFORCEABILITY.**—No affidavit of support may  
8           be relied upon by the Attorney General or by any consular  
9           officer to establish that an alien is not excludable as a  
10          public charge under section 212(a)(4) of the Immigration  
11          and Nationality Act unless such affidavit is executed as  
12          a contract—

13                 (1) which is legally enforceable against the  
14          sponsor by the sponsored individual, by the Federal  
15          Government, and by any State, district, territory, or  
16          possession of the United States (or any subdivision  
17          of such State, district, territory, or possession of the  
18          United States) which provides any benefit under a  
19          program described in subsection (d)(2), but not later  
20          than 10 years after the sponsored individual last re-  
21          ceives any such benefit;

22                 (2) in which the sponsor agrees to financially  
23          support the sponsored individual, so that he or she  
24          will not become a public charge, until the sponsored

1 individual has worked in the United States for 40  
2 qualifying quarters; and

3 (3) in which the sponsor agrees to submit to  
4 the jurisdiction of any Federal or State court for the  
5 purpose of actions brought under subsection (d)(4).

6 (b) FORMS.—Not later than 90 days after the date  
7 of the enactment of this Act, the Secretary of State, the  
8 Attorney General, and the Secretary of Health and  
9 Human Services shall jointly formulate the affidavit of  
10 support described in this section.

11 (c) NOTIFICATION OF CHANGE OF ADDRESS.—

12 (1) IN GENERAL.—The sponsor shall notify the  
13 Attorney General and the State, district, territory,  
14 or possession in which the sponsored individual is  
15 currently resident within 30 days of any change of  
16 address of the sponsor during the period specified in  
17 subsection (a)(1).

18 (2) PENALTY.—Any person subject to the re-  
19 quirement of paragraph (1) who fails to satisfy such  
20 requirement shall be subject to a civil penalty of—

21 (A) not less than \$250 or more than  
22 \$2,000, or

23 (B) if such failure occurs with knowledge  
24 that the sponsored individual has received any  
25 benefit described in section 241(a)(5)(C) of the

1           Immigration and Nationality Act, not less than  
2           \$2,000 or more than \$5,000.

3           (d) REIMBURSEMENT OF GOVERNMENT EX-  
4 PENSES.—

5           (1) IN GENERAL.—Upon notification that a  
6           sponsored individual has received any benefit under  
7           a program described in paragraph (2), the appro-  
8           priate Federal, State, or local official shall request  
9           reimbursement by the sponsor in the amount of such  
10          assistance.

11          (2) PROGRAMS DESCRIBED.—The programs de-  
12          scribed in this paragraph include the following:

13               (A) Assistance under a State program  
14               funded under part A of title IV of the Social  
15               Security Act.

16               (B) The medicaid program under title XXI  
17               of the Social Security Act.

18               (C) The food stamp program under the  
19               Food Stamp Act of 1977.

20               (D) The supplemental security income pro-  
21               gram under title XVI of the Social Security  
22               Act.

23               (E) Any State general assistance program.

24               (F) Any other program of assistance fund-  
25               ed, in whole or in part, by the Federal Govern-

1           ment or any State or local government entity,  
2           for which eligibility for benefits is based on  
3           need, except the programs specified in section  
4           7402(f)(2).

5           (3) REGULATIONS.—The Commissioner of So-  
6           cial Security shall prescribe such regulations as may  
7           be necessary to carry out paragraph (1). Such regu-  
8           lations shall provide for notification to the sponsor  
9           by certified mail to the sponsor's last known ad-  
10          dress.

11          (4) REIMBURSEMENT.—If within 45 days after  
12          requesting reimbursement, the appropriate Federal,  
13          State, or local agency has not received a response  
14          from the sponsor indicating a willingness to com-  
15          mence payments, an action may be brought against  
16          the sponsor pursuant to the affidavit of support.

17          (5) ACTION IN CASE OF FAILURE.—If the spon-  
18          sor fails to abide by the repayment terms established  
19          by such agency, the agency may, within 60 days of  
20          such failure, bring an action against the sponsor  
21          pursuant to the affidavit of support.

22          (6) STATUTE OF LIMITATIONS.—No cause of  
23          action may be brought under this subsection later  
24          than 10 years after the sponsored individual last re-



1       ceived any benefit under a program described in  
2       paragraph (2).

3       (e) JURISDICTION.—For purposes of this section, no  
4       State court shall decline for lack of jurisdiction to hear  
5       any action brought against a sponsor for reimbursement  
6       of the cost of any benefit under a program described in  
7       subsection (d)(2) if the sponsored individual received pub-  
8       lic assistance while residing in the State.

9       (f) DEFINITIONS.—For the purposes of this section—

10       (1) the term “sponsor” means an individual  
11       who—

12               (A) is a United States citizen or national  
13               or an alien who is lawfully admitted to the  
14               United States for permanent residence;

15               (B) is 18 years of age or over;

16               (C) is domiciled in any of the several  
17               States of the United States, the District of Co-  
18               lumbia, or any territory or possession of the  
19               United States; and

20               (D) demonstrates the means to maintain  
21               an annual income equal to at least 200 percent  
22               of the poverty line for the individual and the in-  
23               dividual’s family (including the sponsored indi-  
24               vidual), through evidence that shall include a  
25               copy of the individual’s Federal income tax re-

1 turns for his or her most recent two taxable  
2 years and a written statement, executed under  
3 oath or as permitted under penalty of perjury  
4 under section 1746 of title 28, United States  
5 Code, that the copies are true copies of such  
6 returns;

7 (2) the term “poverty line” has the same mean-  
8 ing given such term in section 673(2) of the Com-  
9 munity Services Block Grant Act (42 U.S.C.  
10 9902(2)); and

11 (3) the term “qualifying quarter” means a  
12 three-month period in which the sponsored individ-  
13 ual has—

14 (A) earned at least the minimum necessary  
15 for the period to count as one of the 40 cal-  
16 endar quarters required to qualify for social se-  
17 curity retirement benefits;

18 (B) not received need-based public assist-  
19 ance; and

20 (C) had income tax liability for the tax  
21 year of which the period was part.

22 **SEC. 7404. LIMITED ELIGIBILITY OF NONCITIZENS FOR SSI**  
23 **BENEFITS.**

24 (a) **IN GENERAL.**—Paragraph (1) of section 1614(a)  
25 (42 U.S.C. 1382c(a)) is amended—

1           (1) in subparagraph (B)(i), by striking “either”  
2           and all that follows through “, or” and inserting  
3           “(I) a citizen; (II) a noncitizen who is granted asy-  
4           lum under section 208 of the Immigration and Na-  
5           tionality Act or whose deportation has been withheld  
6           under section 243(h) of such Act for a period of not  
7           more than 5 years after the date of arrival into the  
8           United States; (III) a noncitizen who is admitted to  
9           the United States as a refugee under section 207 of  
10          such Act for not more than such 5-year period; (IV)  
11          a noncitizen, lawfully present in any State (or any  
12          territory or possession of the United States), who is  
13          a veteran (as defined in section 101 of title 38,  
14          United States Code) with a discharge characterized  
15          as an honorable discharge and not on account of  
16          alienage or who is the spouse or unmarried depend-  
17          ent child of such veteran; or (V) a noncitizen who  
18          has worked sufficient calendar quarters of coverage  
19          to be a fully insured individual for benefits under  
20          title II, or”;

21           (2) by adding at the end the following new  
22          flush sentence:

23          “For purposes of subparagraph (B)(i)(IV), the determina-  
24          tion of whether a noncitizen is lawfully present in the  
25          United States shall be made in accordance with regula-

1 tions of the Attorney General. A noncitizen shall not be  
2 considered to be lawfully present in the United States for  
3 purposes of this title merely because the noncitizen may  
4 be considered to be permanently residing in the United  
5 States under color of law for purposes of any particular  
6 program.”.

7 (b) EFFECTIVE DATE.—

8 (1) IN GENERAL.—Except as provided in para-  
9 graph (2), the amendments made by subsection (a)  
10 shall apply to applicants for benefits for months be-  
11 ginning on or after the date of the enactment of this  
12 Act, without regard to whether regulations have  
13 been issued to implement such amendments.

14 (2) APPLICATION TO CURRENT RECIPIENTS.—

15 (A) APPLICATION AND NOTICE.—Notwith-  
16 standing any other provision of law, in the case  
17 of an individual who is receiving supplemental  
18 security income benefits under title XVI of the  
19 Social Security Act as of the date of the enact-  
20 ment of this Act and whose eligibility for such  
21 benefits would terminate by reason of the  
22 amendments made by subsection (a), such  
23 amendments shall apply with respect to the  
24 benefits of such individual for months beginning  
25 on or after January 1, 1997, and the Commis-

1 sioner of Social Security shall so notify the indi-  
2 vidual not later than 90 days after the date of  
3 the enactment of this Act.

4 (B) REAPPLICATION.—

5 (i) IN GENERAL.—Not later than 120  
6 days after the date of the enactment of  
7 this Act, each individual notified pursuant  
8 to subparagraph (A) who desires to re-  
9 apply for benefits under title XVI of the  
10 Social Security Act shall reapply to the  
11 Commissioner of Social Security.

12 (ii) DETERMINATION OF ELIGI-  
13 BILITY.—Not later than 1 year after the  
14 date of the enactment of this Act, the  
15 Commissioner of Social Security shall de-  
16 termine the eligibility of each individual  
17 who reapplies for benefits under clause (i)  
18 pursuant to the procedures of such title  
19 XVI.

20 **SEC. 7405. TREATMENT OF NONCITIZENS.**

21 (a) IN GENERAL.—Notwithstanding any other provi-  
22 sion of law, a noncitizen who has entered into the United  
23 States on or after the date of the enactment of this Act  
24 shall not, during the 5-year period beginning on the date  
25 of such noncitizen's entry into the United States, be eligi-

1       “(g) STATE REQUIRED TO PROVIDE CERTAIN IN-  
2 FORMATION.—Each State to which a grant is made under  
3 section 403 shall, at least 4 times annually and upon re-  
4 quest of the Immigration and Naturalization Service, fur-  
5 nish the Immigration and Naturalization Service with the  
6 name and address of, and other identifying information  
7 on, any individual who the State knows is unlawfully in  
8 the United States.”.

9       (b) SSI.—Section 1631(e) (42 U.S.C. 1383(e)) is  
10 amended—

11           (1) by redesignating the paragraphs (6) and (7)  
12 inserted by sections 206(d)(2) and 206(f)(1) of the  
13 Social Security Independence and Programs Im-  
14 provement Act of 1994 (Public Law 103–296; 108  
15 Stat. 1514, 1515) as paragraphs (7) and (8), re-  
16 spectively; and

17           (2) by adding at the end the following new  
18 paragraph:

19           “(9) Notwithstanding any other provision of  
20 law, the Commissioner shall, at least 4 times annu-  
21 ally and upon request of the Immigration and Natu-  
22 ralization Service (hereafter in this paragraph re-  
23 ferred to as the ‘Service’), furnish the Service with  
24 the name and address of, and other identifying in-  
25 formation on, any individual who the Commissioner

1 knows is unlawfully in the United States, and shall  
2 ensure that each agreement entered into under sec-  
3 tion 1616(a) with a State provides that the State  
4 shall furnish such information at such times with re-  
5 spect to any individual who the State knows is un-  
6 lawfully in the United States.”.

7 (c) HOUSING PROGRAMS.—Title I of the United  
8 States Housing Act of 1937 (42 U.S.C. 1437 et seq.) is  
9 amended by adding at the end the following new section:  
10 **“SEC. 27. PROVISION OF INFORMATION TO LAW ENFORCE-**  
11 **MENT AND OTHER AGENCIES.**

12 “(a) NOTICE TO IMMIGRATION AND NATURALIZA-  
13 TION SERVICE OF ILLEGAL ALIENS.—Notwithstanding  
14 any other provision of law, the Secretary shall, at least  
15 4 times annually and upon request of the Immigration and  
16 Naturalization Service (hereafter in this subsection re-  
17 ferred to as the ‘Service’), furnish the Service with the  
18 name and address of, and other identifying information  
19 on, any individual who the Secretary knows is unlawfully  
20 in the United States, and shall ensure that each contract  
21 for assistance entered into under section 6 or 8 of this  
22 Act with a public housing agency provides that the public  
23 housing agency shall furnish such information at such  
24 times with respect to any individual who the public hous-  
25 ing agency knows is unlawfully in the United States.”.

1 **SEC. 7407. PROHIBITION ON PAYMENT OF FEDERAL BENE-**  
2 **FITS TO CERTAIN PERSONS.**

3 (a) **IN GENERAL.**—Notwithstanding any other provi-  
4 sion of law and except as provided in subsection (b), Fed-  
5 eral benefits shall not be paid or provided to any person  
6 who is not a person lawfully present within the United  
7 States.

8 (b) **EXCEPTIONS.**—Subsection (a) shall not apply  
9 with respect to the following benefits:

10 (1) Emergency medical services under title XXI  
11 of the Social Security Act.

12 (2) Short-term emergency disaster relief.

13 (3) Assistance or benefits under the National  
14 School Lunch Act.

15 (4) Assistance or benefits under the Child Nu-  
16 trition Act of 1966.

17 (5) Public health assistance for immunizations  
18 and, if the Secretary of Health and Human Services  
19 determines that it is necessary to prevent the spread  
20 of a serious communicable disease, for testing and  
21 treatment of such disease.

22 (c) **DEFINITIONS.**—For purposes of this section:

23 (1) **FEDERAL BENEFIT.**—The term “Federal  
24 benefit” means—

25 (A) the issuance of any grant, contract,  
26 loan, professional license, or commercial license



1 provided by an agency of the United States or  
2 by appropriated funds of the United States; and

3 (B) any retirement, welfare, Social Secu-  
4 rity, health, disability, public housing, post-sec-  
5 ondary education, food stamps, unemployment  
6 benefit, or any other similar benefit for which  
7 payments or assistance are provided by an  
8 agency of the United States or by appropriated  
9 funds of the United States.

10 (2) PERSON LAWFULLY PRESENT WITHIN THE  
11 UNITED STATES.—The term “person lawfully  
12 present within the United States” means a person  
13 who, at the time the person applies for, receives, or  
14 attempts to receive a Federal benefit, is a United  
15 States citizen, a permanent resident alien, an alien  
16 whose deportation has been withheld under section  
17 243(h) of the Immigration and Nationality Act (8  
18 U.S.C. 1253(h)), an asylee, a refugee, a parolee who  
19 has been paroled for a period of at least 1 year, a  
20 national, or a national of the United States for pur-  
21 poses of the immigration laws of the United States  
22 (as defined in section 101(a)(17) of the Immigration  
23 and Nationality Act (8 U.S.C. 1101(a)(17)).

24 (d) STATE OBLIGATION.—Notwithstanding any other  
25 provision of law, a State that administers a program that

1 provides a Federal benefit (described in subsection (c)(1))  
2 or provides State benefits pursuant to such a program  
3 shall not be required to provide such benefit to a person  
4 who is not a person lawfully present within the United  
5 States (as defined in subsection (c)(2)) through a State  
6 agency or with appropriated funds of such State.

7 (e) VERIFICATION OF ELIGIBILITY.—

8 (1) IN GENERAL.—Not later than 18 months  
9 after the date of the enactment of this Act, the At-  
10 torney General of the United States, after consulta-  
11 tion with the Secretary of Health and Human Serv-  
12 ices, shall promulgate regulations requiring verifica-  
13 tion that a person applying for a Federal benefit, in-  
14 cluding a benefit described in subsection (b), is a  
15 person lawfully present within the United States and  
16 is eligible to receive such benefit. Such regulations  
17 shall, to the extent feasible, require that information  
18 requested and exchanged be similar in form and  
19 manner to information requested and exchanged  
20 under section 1137 of the Social Security Act.

21 (2) STATE COMPLIANCE.—Not later than 24  
22 months after the date the regulations described in  
23 paragraph (1) are adopted, a State that administers  
24 a program that provides a Federal benefit described

1 in such paragraph shall have in effect a verification  
2 system that complies with the regulations.

3 (3) AUTHORIZATION OF APPROPRIATIONS.—

4 There are authorized to be appropriated such sums  
5 as may be necessary to carry out the purpose of this  
6 section.

7 (f) SEVERABILITY.—If any provision of this section  
8 or the application of such provision to any person or cir-  
9 cumstance is held to be unconstitutional, the remainder  
10 of this section and the application of the provisions of such  
11 to any person or circumstance shall not be affected there-  
12 by.

## 13 **Subtitle G—Additional Provisions** 14 **Relating to Welfare Reform**

### 15 **CHAPTER 1—REDUCTIONS IN FEDERAL** 16 **GOVERNMENT POSITIONS**

#### 17 **SEC. 7411. REDUCTIONS.**

18 (a) DEFINITIONS.—As used in this section:

19 (1) APPROPRIATE EFFECTIVE DATE.—The term  
20 “appropriate effective date”, used with respect to a  
21 Department referred to in this section, means the  
22 date on which all provisions of subtitle D of title I,  
23 this subtitle, or subtitles C, D, E, and F of this title  
24 that the Department is required to carry out, and  
25 amendments and repeals made by such titles and

1 subtitles to provisions of Federal law that the De-  
2 partment is required to carry out, are effective.

3 (2) COVERED ACTIVITY.—The term “covered  
4 activity”, used with respect to a Department re-  
5 ferred to in this section, means an activity that the  
6 Department is required to carry out under—

7 (A) a provision of subtitle D of title I, this  
8 subtitle, or subtitle C, D, E, or F of this title;  
9 or

10 (B) a provision of Federal law that is  
11 amended or repealed by any such title or sub-  
12 titles.

13 (b) REPORTS.—

14 (1) CONTENTS.—Not later than December 31,  
15 1995, each Secretary referred to in paragraph (2)  
16 shall prepare and submit to the relevant committees  
17 described in paragraph (3) a report containing—

18 (A) the determinations described in sub-  
19 section (c);

20 (B) appropriate documentation in support  
21 of such determinations; and

22 (C) a description of the methodology used  
23 in making such determinations.

24 (2) SECRETARY.—The Secretaries referred to in  
25 this paragraph are—

- 1 (A) the Secretary of Agriculture;  
2 (B) the Secretary of Education;  
3 (C) the Secretary of Labor;  
4 (D) the Secretary of Housing and Urban  
5 Development; and  
6 (E) the Secretary of Health and Human  
7 Services.

8 (3) RELEVANT COMMITTEES.—The relevant  
9 Committees described in this paragraph are the fol-  
10 lowing:

11 (A) With respect to each Secretary de-  
12 scribed in paragraph (2), the Committee on  
13 Government Reform and Oversight of the  
14 House of Representatives and the Committee  
15 on Governmental Affairs of the Senate.

16 (B) With respect to the Secretary of Agri-  
17 culture, the Committee on Agriculture and the  
18 Committee on Economic and Educational Op-  
19 portunities of the House of Representatives and  
20 the Committee on Agriculture, Nutrition, and  
21 Forestry of the Senate.

22 (C) With respect to the Secretary of Edu-  
23 cation, the Committee on Economic and Edu-  
24 cational Opportunities of the House of Rep-

1           representatives and the Committee on Labor and  
2           Human Resources of the Senate.

3           (D) With respect to the Secretary of  
4           Labor, the Committee on Economic and Edu-  
5           cational Opportunities of the House of Rep-  
6           resentatives and the Committee on Labor and  
7           Human Resources of the Senate.

8           (E) With respect to the Secretary of Hous-  
9           ing and Urban Development, the Committee on  
10          Banking and Financial Services of the House of  
11          Representatives and the Committee on Bank-  
12          ing, Housing, and Urban Affairs of the Senate.

13          (F) With respect to the Secretary of  
14          Health and Human Services, the Committee on  
15          Economic and Educational Opportunities of the  
16          House of Representatives, the Committee on  
17          Labor and Human Resources of the Senate, the  
18          Committee on Ways and Means of the House of  
19          Representatives, and the Committee on Finance  
20          of the Senate.

21          (4) REPORT ON CHANGES.—Not later than De-  
22          cember 31, 1996, and each December 31 thereafter,  
23          each Secretary referred to in paragraph (2) shall  
24          prepare and submit to the relevant Committees de-  
25          scribed in paragraph (3), a report concerning any

1 changes with respect to the determinations made  
2 under subsection (c) for the year in which the report  
3 is being submitted.

4 (c) DETERMINATIONS.—Not later than December 31,  
5 1995, each Secretary referred to in subsection (b)(2) shall  
6 determine—

7 (1) the number of full-time equivalent positions  
8 required by the Department headed by such Sec-  
9 retary to carry out the covered activities of the De-  
10 partment, as of the day before the date of enactment  
11 of this Act;

12 (2) the number of such positions required by  
13 the Department to carry out the activities, as of the  
14 appropriate effective date for the Department; and

15 (3) the difference obtained by subtracting the  
16 number referred to in paragraph (2) from the num-  
17 ber referred to in paragraph (1).

18 (d) ACTIONS.—Not later than 30 days after the ap-  
19 propriate effective date for the Department involved, each  
20 Secretary referred to in subsection (b)(2) shall take such  
21 actions as may be necessary, including reduction in force  
22 actions, consistent with sections 3502 and 3595 of title  
23 5, United States Code, to reduce the number of positions  
24 of personnel of the Department by at least the difference  
25 referred to in subsection (c)(3).

1 (e) CONSISTENCY.—

2 (1) EDUCATION.—The Secretary of Education  
3 shall carry out this section in a manner that enables  
4 the Secretary to meet the requirements of this sec-  
5 tion.

6 (2) LABOR.—The Secretary of Labor shall  
7 carry out this section in a manner that enables the  
8 Secretary to meet the requirements of this section.

9 (3) HEALTH AND HUMAN SERVICES.—The Sec-  
10 retary of Health and Human Services shall carry out  
11 this section in a manner that enables the Secretary  
12 to meet the requirements of this section and section  
13 7412.

14 (f) CALCULATION.—In determining, under subsection  
15 (c), the number of full-time equivalent positions required  
16 by a Department to carry out a covered activity, a Sec-  
17 retary referred to in subsection (b)(2), shall include the  
18 number of such positions occupied by personnel carrying  
19 out program functions or other functions (including budg-  
20 etary, legislative, administrative, planning, evaluation, and  
21 legal functions) related to the activity.

22 (g) GENERAL ACCOUNTING OFFICE REPORT.—Not  
23 later than July 1, 1996, the Comptroller General of the  
24 United States shall prepare and submit to the committees  
25 described in subsection (b)(3), a report concerning the de-



1 terminations made by each Secretary under subsection (c).  
2 Such report shall contain an analysis of the determina-  
3 tions made by each Secretary under subsection (c) and  
4 a determination as to whether further reductions in full-  
5 time equivalent positions are appropriate.

6 **SEC. 7412. REDUCTIONS IN FEDERAL BUREAUCRACY.**

7 (a) IN GENERAL.—The Secretary of Health and  
8 Human Services shall reduce the Federal workforce within  
9 the Department of Health and Human Services by an  
10 amount equal to the sum of—

11 (1) 75 percent of the full-time equivalent posi-  
12 tions at such Department that relate to any direct  
13 spending program, or any program funded through  
14 discretionary spending, that has been converted into  
15 a block grant program under subtitle D of title I,  
16 this subtitle, or subtitle C, D, E, or F of this title  
17 and the amendments made by such title or subtitles;  
18 and

19 (2) an amount equal to 75 percent of that por-  
20 tion of the total full-time equivalent departmental  
21 management positions at such Department that  
22 bears the same relationship to the amount appro-  
23 priated for the programs referred to in paragraph  
24 (1) as such amount relates to the total amount ap-  
25 propriated for use by such Department.

1 (b) REDUCTIONS IN THE DEPARTMENT OF HEALTH  
 2 AND HUMAN SERVICES.—Notwithstanding any other pro-  
 3 vision of this Act, the Secretary of Health and Human  
 4 Services shall take such actions as may be necessary, in-  
 5 cluding reductions in force actions, consistent with sec-  
 6 tions 3502 and 3595 of title 5, United States Code, to  
 7 reduce the full-time equivalent positions within the De-  
 8 partment of Health and Human Services—

9 (1) by 245 full-time equivalent positions related  
 10 to the program converted into a block grant under  
 11 the amendment made by section 7201(b); and

12 (2) by 60 full-time equivalent managerial posi-  
 13 tions in the Department.

14 **SEC. 7413. REDUCING PERSONNEL IN WASHINGTON, D.C.**

15 **AREA.**

16 In making reductions in full-time equivalent posi-  
 17 tions, the Secretary of Health and Human Services is en-  
 18 couraged to reduce personnel in the Washington, DC, area  
 19 office (agency headquarters) before reducing field person-  
 20 nel.

21 **CHAPTER 2—BLOCK GRANTS FOR SOCIAL**  
 22 **SERVICES**

23 **SEC. 7421. REDUCTION IN BLOCK GRANTS FOR SOCIAL**  
 24 **SERVICES.**

25 Section 2003(c) (42 U.S.C. 1397b) is amended—

1 (1) by striking “and” at the end of paragraph  
2 (4); and

3 (2) by striking paragraph (5) and inserting the  
4 following:

5 “(5) \$2,800,000,000 for each of the fiscal years  
6 1990 through 1996; and

7 “(6) \$2,240,000,000 for each fiscal year after  
8 fiscal year 1996.”.

9 **SEC. 7422. ESTABLISHING NATIONAL GOALS TO PREVENT**  
10 **TEENAGE PREGNANCIES.**

11 (a) **IN GENERAL.**—Not later than January 1, 1997,  
12 the Secretary of Health and Human Services shall estab-  
13 lish and implement a strategy for—

14 (1) preventing an additional 2 percent of out-  
15 of-wedlock teenage pregnancies a year, and

16 (2) assuring that at least 25 percent of the  
17 communities in the United States have teenage preg-  
18 nancy prevention programs in place.

19 (b) **REPORT.**—Not later than June 30, 1998, and an-  
20 nually thereafter, the Secretary shall report to the Con-  
21 gress with respect to the progress that has been made in  
22 meeting the goals described in paragraphs (1) and (2) of  
23 subsection (a).

24 (c) **OUT-OF-WEDLOCK AND TEENAGE PREGNANCY**  
25 **PREVENTION PROGRAMS.**—Section 2002 (42 U.S.C.

1 1397a) is amended by adding at the end the following new  
2 subsection:

3 “(f)(1) The Secretary shall conduct a study with re-  
4 spect to State programs that have been implemented to  
5 determine the relative effectiveness of the different ap-  
6 proaches for reducing out-of-wedlock pregnancies and pre-  
7 venting teenage pregnancy and the approaches that can  
8 be best replicated by other States.

9 “(2) Each State shall provide to the Secretary, in  
10 such form and with such frequency as the Secretary re-  
11 quires, data from the programs the State has imple-  
12 mented. The Secretary shall report to the Congress annu-  
13 ally on the progress of the programs and shall, not later  
14 than June 30, 1998, submit to the Congress a report on  
15 the study required under paragraph (1).”.

### 16 **CHAPTER 3—FOSTER CARE MAINTENANCE**

#### 17 **PAYMENTS PROGRAM**

#### 18 **SEC. 7431. LIMITATION ON GROWTH OF ADMINISTRATIVE** 19 **EXPENSES FOR FOSTER CARE MAINTENANCE** 20 **PAYMENTS PROGRAM.**

21 Section 474(b) (42 U.S.C. 674) is amended by add-  
22 ing at the end the following new paragraph:

23 “(5) Notwithstanding the provisions of subpara-  
24 graphs (D) and (E) of subsection (a)(3), the total amount  
25 of the payment under such subparagraphs with respect to

1 the foster care maintenance payments program for any fis-  
2 cal year beginning with fiscal year 1996 shall not exceed  
3 110 percent of the total amount of such payment for the  
4 preceding fiscal year.”.

5 **CHAPTER 4—MISCELLANEOUS PROVISIONS**

6 **SEC. 7441. EXEMPTION OF BATTERED INDIVIDUALS FROM**  
7 **CERTAIN REQUIREMENTS.**

8 (a) **IN GENERAL.**—Notwithstanding any other provi-  
9 sion of, or amendment made by, subtitle D of title I of  
10 this Act, this subtitle, or subtitle C, D, E, or F of this  
11 title, the applicable administering authority of any speci-  
12 fied provision may exempt from (or modify) the applica-  
13 tion of such provision to any individual who was battered  
14 or subjected to extreme cruelty if the physical, mental, or  
15 emotional well-being of the individual would be endangered  
16 by the application of such provision to such individual.  
17 The applicable administering authority may take into con-  
18 sideration the family circumstances and the counseling  
19 and other supportive service needs of the individual.

20 (b) **SPECIFIED PROVISIONS.**—For purposes of this  
21 section, the term “specified provision” means any require-  
22 ment, limitation, or penalty under any of the following:

23 (1) Sections 404, 405 (a) and (b), 406 (b), (c),  
24 and (d), 414(d), 453(c), 469A, and 1614(a)(1) of  
25 the Social Security Act.

1           (2) Sections 5(i) (other than paragraph (3)  
2           thereof) and 6 (d) and (j), and the provision relating  
3           to work requirements in section 6 of the Food  
4           Stamp Act of 1977.

5           (3) Sections 7401(a) and 7402 of this Act.

6           (c) DEFINITIONS AND SPECIAL RULES.—For pur-  
7           poses of this section—

8           (1) BATTERED OR SUBJECTED TO EXTREME  
9           CRUELTY.—The term “battered or subjected to ex-  
10          treme cruelty” includes, but is not limited to—

11                   (A) physical acts resulting in, or threaten-  
12                   ing to result in, physical injury;

13                   (B) sexual abuse, sexual activity involving  
14                   a dependent child, forcing the caretaker relative  
15                   of a dependent child to engage in nonconsensual  
16                   sexual acts or activities, or threats of or at-  
17                   tempts at physical or sexual abuse;

18                   (C) mental abuse; and

19                   (D) neglect or deprivation of medical care.

20          (2) CALCULATION OF PARTICIPATION RATES.—

21          An individual exempted from the work requirements  
22          under section 404 of the Social Security Act by rea-  
23          son of subsection (a) shall not be included for pur-  
24          poses of calculating the State’s participation rate  
25          under such section.

1 SEC. 7442. SENSE OF THE SENATE ON LEGISLATIVE AC-  
2 COUNTABILITY FOR UNFUNDED MANDATES  
3 IN WELFARE REFORM LEGISLATION.

4 (a) FINDINGS.—The Senate finds that the purposes  
5 of the Unfunded Mandates Reform Act of 1995 are—

6 (1) to strengthen the partnership between the  
7 Federal Government and State, local and tribal gov-  
8 ernments;

9 (2) to end the imposition, in the absence of full  
10 consideration by Congress, of Federal mandates on  
11 State, local and tribal governments without adequate  
12 Federal funding, in a manner that may displace  
13 other essential State, local and tribal governmental  
14 priorities;

15 (3) to assist Congress in its consideration of  
16 proposed legislation establishing or revising Federal  
17 programs containing Federal mandates affecting  
18 State, local and tribal governments, and the private  
19 sector by—

20 (A) providing for the development of infor-  
21 mation about the nature and size of mandates  
22 in proposed legislation; and

23 (B) establishing a mechanism to bring  
24 such information to the attention of the Senate  
25 and the House of Representatives before the

1 Senate and the House of Representatives vote  
2 on proposed legislation;

3 (4) to promote informed and deliberate deci-  
4 sions by Congress on the appropriateness of Federal  
5 mandates in any particular instance; and

6 (5) to require that Congress consider whether  
7 to provide funding to assist State, local and tribal  
8 governments in complying with Federal mandates.

9 (b) SENSE OF THE SENATE.—It is the sense of the  
10 Senate that prior to the Senate acting on the conference  
11 report on either H.R. 4 or any other legislation including  
12 welfare reform provisions, the Congressional Budget Of-  
13 fice shall prepare an analysis of the conference report to  
14 include—

15 (1) estimates, over each of the next 7 fiscal  
16 years, by State and in total, of—

17 (A) the costs to States of meeting all work  
18 requirements in the conference report, including  
19 those for single-parent families, two-parent  
20 families, and those who have received cash as-  
21 sistance for 2 years;

22 (B) the resources available to the States to  
23 meet these work requirements, defined as Fed-  
24 eral appropriations authorized in the conference  
25 report for this purpose in addition to what



1 States are projected to spend under current  
2 welfare law; and

3 (C) the amount of any additional revenue  
4 needed by the States to meet the work require-  
5 ments in the conference report, beyond re-  
6 sources available as defined under subpara-  
7 graph (B);

8 (2) an estimate, based on the analysis in para-  
9 graph (1), of how many States would opt to pay any  
10 penalty provided for by the conference report rather  
11 than raise the additional revenue needed to meet the  
12 work requirements in the conference report; and

13 (3) estimates, over each of the next 7 fiscal  
14 years, of the costs to States of any other require-  
15 ments imposed on them by such legislation.

16 **SEC. 7443. SENSE OF THE SENATE REGARDING ENFORCE-**  
17 **MENT OF STATUTORY RAPE LAWS.**

18 It is the sense of the Senate that States and local  
19 jurisdictions should aggressively enforce statutory rape  
20 laws.

21 **SEC. 7444. SANCTIONING FOR TESTING POSITIVE FOR CON-**  
22 **TROLLED SUBSTANCES.**

23 Notwithstanding any other provision of law, States  
24 shall not be prohibited by the Federal Government from

1 sanctioning welfare recipients who test positive for use of  
2 controlled substances.

3 **SEC. 7445. ABSTINENCE EDUCATION.**

4 (a) **INCREASES IN FUNDING.**—Section 501(a) (42  
5 U.S.C. 701(a)) is amended in the matter preceding para-  
6 graph (1) by striking “fiscal year 1994 and each fiscal  
7 year thereafter” and inserting “fiscal years 1994 and  
8 1995 and \$761,000,000 for fiscal year 1996 and each fis-  
9 cal year thereafter”.

10 (b) **ABSTINENCE EDUCATION.**—Section 501(a)(1)  
11 (42 U.S.C. 701(a)(1)) is amended—

12 (1) by striking “and” at the end of subpara-  
13 graph (C);

14 (2) by inserting “and” at the end of subpara-  
15 graph (D); and

16 (3) by adding at the end the following new sub-  
17 paragraph:

18 “(E) to provide abstinence education, and  
19 at the option of the State, where appropriate,  
20 mentoring, counseling, and adult supervision to  
21 promote abstinence from sexual activity, with a  
22 focus on those groups which are most likely to  
23 bear children out-of-wedlock;”.

1 (c) ABSTINENCE EDUCATION DEFINED.—Section  
2 501(b) (42 U.S.C. 701(b)) is amended by adding at the  
3 end the following new paragraph:

4 “(5) ABSTINENCE EDUCATION.—The term ‘ab-  
5 stinence education’ means an educational or motiva-  
6 tional program which—

7 “(A) has as its exclusive purpose, teaching  
8 the social, psychological, and health gains to be  
9 realized by abstaining from sexual activity;

10 “(B) teaches abstinence from sexual activ-  
11 ity outside marriage as the expected standard  
12 for all school age children;

13 “(C) teaches that abstinence from sexual  
14 activity is the only certain way to avoid out-of-  
15 wedlock pregnancy, sexually transmitted dis-  
16 eases, and other associated health problems;

17 “(D) teaches that a mutually faithful  
18 monogamous relationship in context of marriage  
19 is the expected standard of human sexual activ-  
20 ity;

21 “(E) teaches that sexual activity outside of  
22 the context of marriage is likely to have harm-  
23 ful psychological and physical effects;

1           “(F) teaches that bearing children out-of-  
2 wedlock is likely to have harmful consequences  
3 for the child, the child’s parents, and society;

4           “(G) teaches young people how to reject  
5 sexual advances and how alcohol and drug use  
6 increases vulnerability to sexual advances; and

7           “(H) teaches the importance of attaining  
8 self-sufficiency before engaging in sexual activ-  
9 ity.”.

10       (d) SET-ASIDE.—

11           (1) IN GENERAL.—Section 502(c) (42 U.S.C.  
12 702(c)) is amended in the matter preceding para-  
13 graph (1) by striking “From” and inserting “Except  
14 as provided in subsection (e), from”.

15           (2) SET-ASIDE.—Section 502 (42 U.S.C. 702)  
16 is amended by adding at the end the following new  
17 subsection:

18           “(e) Of the amounts appropriated under section  
19 501(a) for any fiscal year, the Secretary shall set aside  
20 \$75,000,000 for abstinence education in accordance with  
21 section 501(a)(1)(E).”.

22 **SEC. 7446. FRAUD UNDER MEANS-TESTED WELFARE AND**  
23 **PUBLIC ASSISTANCE PROGRAMS.**

24           (a) IN GENERAL.—If an individual’s benefits under  
25 a Federal, State, or local law relating to a means-tested

1 welfare or a public assistance program are reduced be-  
2 cause of an act of fraud by the individual under the law  
3 or program, the individual may not, for the duration of  
4 the reduction, receive an increased benefit under any other  
5 means-tested welfare or public assistance program for  
6 which Federal funds are appropriated as a result of a de-  
7 crease in the income of the individual (determined under  
8 the applicable program) attributable to such reduction.

9 (b) WELFARE OR PUBLIC ASSISTANCE PROGRAMS  
10 FOR WHICH FEDERAL FUNDS ARE APPROPRIATED.—For  
11 purposes of subsection (a), the term “means-tested welfare  
12 or public assistance program for which Federal funds are  
13 appropriated” shall include the food stamp program under  
14 the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), any  
15 program of public or assisted housing under title I of the  
16 United States Housing Act of 1937 (42 U.S.C. 1437 et  
17 seq.), and State programs funded under part A of title  
18 IV of the Social Security Act (42 U.S.C. 601 et seq.).

19 **Subtitle H—Reform of the Earned**  
20 **Income Tax Credit**

21 SEC. 7460. AMENDMENT OF 1986 CODE.

22 Except as otherwise expressly provided, whenever in  
23 this subtitle an amendment or repeal is expressed in terms  
24 of an amendment to, or repeal of, a section or other provi-  
25 sion, the reference shall be considered to be made to a

1 section or other provision of the Internal Revenue Code  
2 of 1986.

3 **SEC. 7461. EARNED INCOME CREDIT DENIED TO INDIVID-**  
4 **UALS NOT AUTHORIZED TO BE EMPLOYED IN**  
5 **THE UNITED STATES.**

6 (a) **IN GENERAL.**—Section 32(c)(1) (relating to indi-  
7 viduals eligible to claim the earned income tax credit) is  
8 amended by adding at the end the following new subpara-  
9 graph:

10 “(F) **IDENTIFICATION NUMBER REQUIRE-**  
11 **MENT.**—The term ‘eligible individual’ does not  
12 include any individual who does not include on  
13 the return of tax for the taxable year—

14 “(i) such individual’s taxpayer identi-  
15 fication number, and

16 “(ii) if the individual is married (with-  
17 in the meaning of section 7703), the tax-  
18 payer identification number of such indi-  
19 vidual’s spouse.”

20 (b) **SPECIAL IDENTIFICATION NUMBER.**—Section 32  
21 is amended by adding at the end the following new sub-  
22 section:

23 “(1) **IDENTIFICATION NUMBERS.**—Solely for pur-  
24 poses of subsections (c)(1)(F) and (c)(3)(D), a taxpayer  
25 identification number means a social security number is-

1 sued to an individual by the Social Security Administra-  
2 tion (other than a social security number issued pursuant  
3 to clause (II) (or that portion of clause (III) that relates  
4 to clause (II)) of section 205(c)(2)(B)(i) of the Social Se-  
5 curity Act).”

6 (c) EXTENSION OF PROCEDURES APPLICABLE TO  
7 MATHEMATICAL OR CLERICAL ERRORS.—Section  
8 6213(g)(2) (relating to the definition of mathematical or  
9 clerical errors) is amended by striking “and” at the end  
10 of subparagraph (D), by striking the period at the end  
11 of subparagraph (E) and inserting a comma, and by in-  
12 serting after subparagraph (E) the following new subpara-  
13 graphs:

14 “(F) an omission of a correct taxpayer  
15 identification number required under section 32  
16 (relating to the earned income tax credit) to be  
17 included on a return, and

18 “(G) an entry on a return claiming the  
19 credit under section 32 with respect to net  
20 earnings from self-employment described in sec-  
21 tion 32(c)(2)(A) to the extent the tax imposed  
22 by section 1401 (relating to self-employment  
23 tax) on such net earnings has not been paid.”

1 (d) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years beginning after  
3 December 31, 1995.

4 **SEC. 7462. REPEAL OF EARNED INCOME CREDIT FOR INDI-**  
5 **VIDUALS WITHOUT CHILDREN.**

6 (a) IN GENERAL.—Subparagraph (A) of section  
7 32(c)(1) (defining eligible individual) is amended to read  
8 as follows:

9 “(A) IN GENERAL.—The term ‘eligible in-  
10 dividual’ means any individual who has a quali-  
11 fying child for the taxable year.”

12 (b) CONFORMING AMENDMENTS.—Each of the tables  
13 contained in paragraphs (1) and (2) of section 32(b) are  
14 amended by striking the items relating to no qualifying  
15 children.

16 (c) EFFECTIVE DATE.—The amendments made by  
17 this section shall apply to taxable years beginning after  
18 December 31, 1995.

19 **SEC. 7463. MODIFICATION OF EARNED INCOME CREDIT**  
20 **AMOUNT AND PHASEOUT.**

21 (a) DECREASE IN CREDIT RATE.—

22 (1) IN GENERAL.—Subsection (b) of section 32,  
23 as amended by section 7462(b), is amended to read  
24 as follows:

25 “(b) PERCENTAGES AND AMOUNTS.—



1           “(1) IN GENERAL.—The credit percentage shall  
2           be determined as follows:

<b>“In the case of an eligible individual with:</b>	<b>The credit percentage is:</b>
1 qualifying child .....	34
2 or more qualifying children .....	36

3           “(2) AMOUNTS.—The earned income amount  
4           and the phaseout amount shall be determined as  
5           follows:

<b>“In the case of an eligible individual with:</b>	<b>The earned income amount is:</b>	<b>The phaseout amount is:</b>
1 qualifying child .....	\$6,000 .....	\$11,000
2 or more qualifying children ..	\$8,425 .....	\$11,000.”

6           (2) CONFORMING AMENDMENT.—Paragraph (1)  
7           of section 32(j) is amended by striking “subsection  
8           (b)(2)(A)” and inserting “subsection (b)(2)”.

9           (b) PHASEOUT.—Paragraph (2) of section 32(a) (re-  
10          lating to limitation) is amended to read as follows:

11           “(2) LIMITATION.—The amount of the credit  
12          allowable to a taxpayer under paragraph (1) for any  
13          taxable year shall be reduced by 0.66 percent (0.86  
14          percent if only 1 qualifying child) for each \$100 or  
15          fraction thereof by which the taxpayer’s adjusted  
16          gross income (or, if greater, earned income) for the  
17          taxable year exceeds the phaseout amount.”

18          (c) EFFECTIVE DATE.—The amendments made by  
19          this section shall apply to taxable years beginning after  
20          December 31, 1995.

1 **SEC. 7464. RULES RELATING TO DENIAL OF EARNED IN-**  
2 **COME CREDIT ON BASIS OF DISQUALIFIED**  
3 **INCOME.**

4 (a) **DEFINITION OF DISQUALIFIED INCOME.**—Para-  
5 graph (2) of section 32(i) (defining disqualified income)  
6 is amended by striking “and” at the end of subparagraph  
7 (B), by striking the period at the end of subparagraph  
8 (C) and inserting “, and”, and by adding at the end the  
9 following new subparagraphs:

10 “(D) capital gain net income, and

11 “(E) the excess (if any) of—

12 “(i) the aggregate income from all  
13 passive activities for the taxable year (de-  
14 termined without regard to any amount de-  
15 scribed in a preceding subparagraph), over

16 “(ii) the aggregate losses from all pas-  
17 sive activities for the taxable year (as so  
18 determined).

19 For purposes of subparagraph (E), the term ‘passive  
20 activity’ has the meaning given such term by section  
21 469.”

22 (b) **EFFECTIVE DATE.**—The amendments made by  
23 this section shall apply to taxable years beginning after  
24 December 31, 1995.

1 **SEC. 7465. MODIFICATION OF ADJUSTED GROSS INCOME**  
2 **DEFINITION FOR EARNED INCOME CREDIT.**

3 (a) **IN GENERAL.**—Subsections (a)(2), (c)(1)(C), and  
4 (f)(2)(B) of section 32 are each amended by striking “ad-  
5 justed gross income” and inserting “modified adjusted  
6 gross income”.

7 (b) **MODIFIED ADJUSTED GROSS INCOME DE-**  
8 **FINED.**—Section 32(c) (relating to definitions and special  
9 rules) is amended by adding at the end the following new  
10 paragraph:

11 “(5) **MODIFIED ADJUSTED GROSS INCOME.**—

12 “(A) **IN GENERAL.**—The term ‘modified  
13 adjusted gross income’ means adjusted gross in-  
14 come—

15 “(i) increased by the sum of the  
16 amounts described in subparagraph (B),  
17 and

18 “(ii) determined without regard to—

19 “(I) the amounts described in  
20 subparagraph (C), or

21 “(II) the deduction allowed under  
22 section 172.

23 “(B) **NONTAXABLE INCOME TAKEN INTO**  
24 **ACCOUNT.**—Amounts described in this subpara-  
25 graph are—

1           “(i) social security benefits (as defined  
2           in section 86(d)) received by the taxpayer  
3           during the taxable year to the extent not  
4           included in gross income,

5           “(ii) amounts which—

6                   “(I) are received during the tax-  
7                   able year by (or on behalf of) a spouse  
8                   pursuant to a divorce or separation  
9                   instrument (as defined in section  
10                  71(b)(2)), and

11                   “(II) under the terms of the in-  
12                   strument are fixed as payable for the  
13                   support of the children of the payor  
14                   spouse (as determined under section  
15                  71(c)),

16           but only to the extent such amounts exceed  
17           \$6,000,

18           “(iii) interest received or accrued dur-  
19           ing the taxable year which is exempt from  
20           tax imposed by this chapter, and

21           “(iv) amounts received as a pension or  
22           annuity, and any distributions or payments  
23           received from an individual retirement  
24           plan, by the taxpayer during the taxable

1           year to the extent not included in gross in-  
2           come.

3           Clause (iv) shall not include any amount which  
4           is not includible in gross income by reason of  
5           section 402(c), 403(a)(4), 403(b)(8), 408(d)  
6           (3), (4), or (5), or 457(e)(10).

7           “(C) CERTAIN AMOUNTS DISREGARDED.—  
8           An amount is described in this subparagraph if  
9           it is—

10                   “(i) the amount of losses from sales  
11                   or exchanges of capital assets in excess of  
12                   gains from such sales or exchanges to the  
13                   extent such amount does not exceed the  
14                   amount under section 1211(b)(1),

15                   “(ii) the net loss from the carrying on  
16                   of trades or businesses, computed sepa-  
17                   rately with respect to—

18                           “(I) trades or businesses (other  
19                           than farming) conducted as sole pro-  
20                           prietorships,

21                           “(II) trades or businesses of  
22                           farming conducted as sole proprietor-  
23                           ships, and

24                           “(III) other trades or business,

1                   “(iii) the net loss from estates and  
2                   trusts, and

3                   “(iv) the excess (if any) of amounts  
4                   described in subsection (i)(2)(C)(ii) over  
5                   the amounts described in subsection  
6                   (i)(2)(C)(i) (relating to nonbusiness rents  
7                   and royalties).

8                   For purposes of clause (ii), there shall not be  
9                   taken into account items which are attributable  
10                  to a trade or business which consists of the per-  
11                  formance of services by the taxpayer as an em-  
12                  ployee.”

13                  (c) **EFFECTIVE DATE.**—The amendments made by  
14                  this section shall apply to taxable years beginning after  
15                  December 31, 1995.

16                  **SEC. 7466. PROVISIONS TO IMPROVE TAX COMPLIANCE.**

17                  (a) **INCREASE IN PENALTIES FOR RETURN PREPAR-**  
18                  **ERS.**—

19                         (1) **UNDERSTATEMENT PENALTY.**—Section  
20                         6694 (relating to understatement of income tax li-  
21                         ability by income tax return preparer) is amended—

22                                 (A) by striking “\$250” in subsection (a)  
23                                 and inserting “\$500”, and

24                                 (B) by striking “\$1,000” in subsection (b)  
25                                 and inserting “\$2,000”.

1           (2) OTHER ASSESSABLE PENALTIES.—Section  
2       6695 (relating to other assessable penalties) is  
3       amended—

4           (A) by striking “\$50” and “\$25,000” in  
5       subsections (a), (b), (c), (d), and (e) and insert-  
6       ing “\$100” and “\$50,000”, respectively, and

7           (B) by striking “\$500” in subsection (f)  
8       and inserting “\$1,000”.

9       (b) AIDING AND ABETTING PENALTY.—Section  
10     6701(b) (relating to amount of penalty) is amended—

11           (1) by striking “\$1,000” in paragraph (1) and  
12       inserting “2,000”, and

13           (2) by striking “10,000” in paragraph (2) and  
14       inserting “20,000”.

15       (c) REVIEW OF ELECTRONIC FILING OF EARNED IN-  
16     COME CREDIT CLAIMS.—The Secretary of the Treasury  
17     shall use the maximum review process that is administra-  
18     tively feasible to ensure that originators of electronic re-  
19     turns involving the earned income credit under section 32  
20     of the Internal Revenue Code of 1986 comply with the  
21     law.

22       (d) EFFECTIVE DATE.—The amendments made by  
23     this section shall apply to penalties with respect to taxable  
24     years beginning after December 31, 1995.

1 **Subtitle I—Increase in Public Debt**

2 **SEC. 7471. INCREASE IN PUBLIC DEBT.**

3 Subsection (b) of section 3101 of title 31, United  
4 States Code, is amended by striking the dollar amount  
5 contained therein and inserting “\$5,500,000,000,000”.

6 **Subtitle J—Correction of Cost of**  
7 **Living Adjustments**

8 **SEC. 7481. SENSE OF THE SENATE REGARDING CORREC-**  
9 **TION OF COST OF LIVING ADJUSTMENTS.**

10 (a) **FINDINGS.**—The Senate finds that—

11 (1) the Consumer Price Index overstates the  
12 cost of living in the United States; and

13 (2) overstatement of the cost of living under-  
14 mines the equitable administration of Federal bene-  
15 fit and tax policies.

16 (b) **SENSE OF THE SENATE.**—It is the sense of the  
17 Senate that all cost of living adjustments required by Fed-  
18 eral law should be corrected as soon as possible to accu-  
19 rately reflect future changes in the cost of living.



1           an approved rehabilitation program under chap-  
2           ter 31 of this title.

3           “(2) For purposes of paragraph (1), the term ‘De-  
4   partment facility’ means a facility over which the Sec-  
5   retary has direct jurisdiction.

6           “(b) Where an individual is, on or after December  
7   1, 1962, awarded a judgment against the United States  
8   in a civil action brought pursuant to section 1346(b) of  
9   title 28 or, on or after December 1, 1962, enters into a  
10   settlement or compromise under section 2672 or 2677 of  
11   title 28 by reason of a disability or death treated pursuant  
12   to this section as if it were service-connected, then no ben-  
13   efits shall be paid to such individual for any month begin-  
14   ning after the date such judgment, settlement, or com-  
15   promise on account of such disability or death becomes  
16   final until the aggregate amount of benefits which would  
17   be paid but for this subsection equals the total amount  
18   included in such judgment, settlement, or compromise.”.

19           (b) EFFECTIVE DATE.—The amendment made by  
20   subsection (a) shall take effect on the date of the enact-  
21   ment of this Act and apply to claims filed (including origi-  
22   nal claims and applications to reopen, revise, reconsider,  
23   or otherwise readjudicate claims previously filed) for dis-  
24   ability or death compensation, or dependency and indem-  
25   nity compensation, on or after that date, regardless of the

1 date of the occurrence of the additional disability or death  
2 upon which the claims are based.

3 **TITLE XII—COMMITTEE ON FI-**  
4 **NANCE—REVENUE PROVI-**  
5 **SIONS**

6 **SEC. 12000. SHORT TITLE; REFERENCES; TABLE OF CON-**  
7 **TENTS.**

8 (a) **SHORT TITLE.**—This title may be cited as the  
9 “Revenue Reconciliation Act of 1995”.

10 (b) **AMENDMENTS TO INTERNAL REVENUE CODE OF**  
11 **1986.**—Except as otherwise specifically provided, wher-  
12 ever in this title an amendment is expressed in terms of  
13 an amendment to or repeal of a section or other provision,  
14 the reference shall be considered to be made to that sec-  
15 tion or other provision of the Internal Revenue Code of  
16 1986.

17 (c) **TABLE OF CONTENTS.**—The table of contents of  
18 this title is as follows:

**TITLE XII—COMMITTEE ON FINANCE—REVENUE PROVISIONS**

Sec. 12000. Short title; references; table of contents.

**Subtitle A—Family Tax Relief**

Sec. 12001. Child tax credit.

Sec. 12002. Reduction in marriage penalty.

Sec. 12003. Credit for adoption expenses.

Sec. 12004. Credit for interest on education loans.

**Subtitle B—Savings And Investment Incentives**

**CHAPTER 1—RETIREMENT SAVINGS INCENTIVES**

**SUBCHAPTER A—INDIVIDUAL RETIREMENT PLANS**

**PART I—RESTORATION OF IRA DEDUCTION**

- Sec. 12101. Restoration of IRA deduction.
- Sec. 12102. Inflation adjustment for deductible amount.
- Sec. 12103. Homemakers eligible for full IRA deduction.
- Sec. 12104. Certain coins and bullion not treated as collectibles.

#### PART II—NONDEDUCTIBLE TAX-FREE IRAS

- Sec. 12111. Establishment of nondeductible tax-free individual retirement accounts.

#### SUBCHAPTER B—PENALTY-FREE DISTRIBUTIONS

- Sec. 12121. Distributions from certain plans may be used without penalty to purchase first homes or to pay higher education or financially devastating medical expenses.

#### SUBCHAPTER C—SIMPLE SAVINGS PLANS

- Sec. 12131. Establishment of savings incentive match plans for employees of small employers.
- Sec. 12132. Extension of simple plan to 401(k) arrangements.

### CHAPTER 2—CAPITAL GAINS REFORM

#### SUBCHAPTER A—TAXPAYERS OTHER THAN CORPORATIONS

- Sec. 12141. Capital gains deduction.
- Sec. 12142. Modifications to exclusion of gain on certain small business stock.
- Sec. 12143. Rollover of gain from sale of qualified stock.

#### SUBCHAPTER B—CORPORATE CAPITAL GAINS

- Sec. 12151. Reduction of alternative capital gain tax for corporations.

### CHAPTER 3—CORPORATE ALTERNATIVE MINIMUM TAX REFORM

- Sec. 12161. Modification of depreciation rules under minimum tax.
- Sec. 12162. Long-term unused credits allowed against minimum tax.

#### Subtitle C— Health Related Provisions

### CHAPTER 1—LONG-TERM CARE PROVISIONS

#### SUBCHAPTER A—LONG-TERM CARE SERVICES AND CONTRACTS

#### PART I—GENERAL PROVISIONS

- Sec. 12201. Qualified long-term care services treated as medical care.
- Sec. 12202. Treatment of long-term care insurance or plans.
- Sec. 12203. Reporting requirements.
- Sec. 12204. Effective dates.

#### PART II—CONSUMER PROTECTION PROVISIONS

- Sec. 12211. Policy requirements.
- Sec. 12212. Requirements for issuers of long-term care insurance policies.
- Sec. 12213. Coordination with State requirements.
- Sec. 12214. Effective dates.

## SUBCHAPTER B—TREATMENT OF ACCELERATED DEATH BENEFITS

- Sec. 12221. Treatment of accelerated death benefits under life insurance contracts.
- Sec. 12222. Treatment of companies issuing qualified accelerated death benefit riders.

## SUBCHAPTER C—MEDICAL SAVINGS ACCOUNTS

- Sec. 12231. Deduction for contributions to medical savings accounts.
- Sec. 12232. Exclusion from income of employer contributions to medical savings accounts.
- Sec. 12233. Medical savings accounts.

## SUBCHAPTER D—OTHER PROVISIONS

- Sec. 12241. Adjustment of death benefit limits for certain policies.
- Sec. 12242. Organizations subject to section 833.

## Subtitle D—Estate Tax Reform

- Sec. 12301. Family-owned business exclusion.
- Sec. 12302. Increase in unified estate and gift tax credit.
- Sec. 12303. Treatment of land subject to a qualified conservation easement.
- Sec. 12304. Expansion of exception from generation-skipping transfer tax for transfers to individuals with deceased parents.
- Sec. 12305. Extension of treatment of certain rents under section 2032A to lineal descendants.

## Subtitle E—Extension Of Expiring Provisions

## CHAPTER 1—EXTENSIONS THROUGH FEBRUARY 28, 1997

- Sec. 12401. Work opportunity tax credit.
- Sec. 12402. Employer-provided educational assistance programs.
- Sec. 12403. Research credit.
- Sec. 12404. Employer-provided group legal services.
- Sec. 12405. Orphan drug tax credit.
- Sec. 12406. Contributions of stock to private foundations.
- Sec. 12407. Delay of scheduled increase in tax on fuel used in commercial aviation.

## CHAPTER 2—EXTENSIONS OF SUPERFUND AND OIL SPILL LIABILITY TAXES

- Sec. 12411. Extension of hazardous substance superfund.
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## CHAPTER 3—EXTENSIONS RELATING TO FUEL TAXES

- Sec. 12421. Ethanol blender refunds.
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## CHAPTER 4—DIESEL DYEING PROVISIONS

- Sec. 12431. Exemption from diesel fuel dyeing requirements with respect to certain States.
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## CHAPTER 5—TREATMENT OF INDIVIDUALS WHO EXPATRIATE

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- Sec. 12501. Expansion of authority to abate interest.
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- Sec. 12506. Award of litigation costs permitted in declaratory judgment proceedings.
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- Sec. 12508. Enrolled agents included as third-party recordkeepers.
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## Subtitle G—Casualty And Involuntary Conversion Provisions

- Sec. 12601. Basis adjustment to property held by corporation where stock in corporation is replacement property under involuntary conversion rules.
- Sec. 12602. Expansion of requirement that involuntarily converted property be replaced with property acquired from an unrelated person.
- Sec. 12603. Special rule for crop insurance proceeds and disaster payments.
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- Sec. 12701. Cooperative service organizations for certain foundations.
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## Subtitle I—Tax Reform and Other Provisions

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- Sec. 12801. Tax treatment of certain extraordinary dividends.
- Sec. 12802. Registration of confidential corporate tax shelters.
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- Sec. 12804. Termination of suspense accounts for family corporations required to use accrual method of accounting.
- Sec. 12805. Termination of Puerto Rico and possession tax credit.

- Sec. 12806. Depreciation under income forecast method.
- Sec. 12807. Transfers of excess pension assets.
- Sec. 12808. Repeal of exclusion for interest on loans used to acquire employer securities.

#### CHAPTER 2—LEGAL REFORMS

- Sec. 12811. Repeal of exclusion for punitive damages and for damages not attributable to physical injuries or sickness.
- Sec. 12812. Reporting of certain payments made to attorneys.

#### CHAPTER 3—REFORMS RELATING TO NONRECOGNITION PROVISIONS

- Sec. 12821. No rollover or exclusion of gain on sale of principal residence which is attributable to depreciation deductions.
- Sec. 12822. Nonrecognition of gain on sale of principal residence by noncitizens limited to new residences located in the United States.

#### CHAPTER 4—EXCISE TAX AND TAX-EXEMPT BOND PROVISIONS

- Sec. 12831. Repeal of diesel fuel tax rebate to purchasers of diesel-powered automobiles and light trucks.
- Sec. 12832. Repeal of wine and flavors content credit.
- Sec. 12833. Modifications to excise tax on ozone-depleting chemicals.
- Sec. 12834. Election to avoid tax-exempt bond penalties for local furnishers of electricity and gas.
- Sec. 12835. Tax-exempt bonds for sale of Alaska Power Administration facility.

#### CHAPTER 5—FOREIGN TRUST TAX COMPLIANCE

- Sec. 12841. Improved information reporting on foreign trusts.
- Sec. 12842. Modifications of rules relating to foreign trusts having one or more United States beneficiaries.
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- Sec. 12846. Residence of estates and trusts, etc.

#### CHAPTER 6—FINANCIAL ASSET SECURITIZATION INVESTMENTS

- Sec. 12851. Financial asset securitization investment trusts.

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- Sec. 12861. Treatment of contributions in aid of construction.
- Sec. 12862. Deduction for certain operating authority.
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- Sec. 12871. Application of failure-to-pay penalty to substitute returns.
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#### SUBCHAPTER A—SIMPLIFICATION OF NONDISCRIMINATION PROVISIONS

- Sec. 12901. Definition of highly compensated employees; repeal of family aggregation.
- Sec. 12902. Definition of compensation for section 415 purposes.
- Sec. 12903. Modification of additional participation requirements.
- Sec. 12904. Nondiscrimination rules for qualified cash or deferred arrangements and matching contributions.

#### SUBCHAPTER B—SIMPLIFIED DISTRIBUTION RULES

- Sec. 12911. Repeal of 5-year income averaging for lump-sum distributions.
- Sec. 12912. Repeal of \$5,000 exclusion of employees' death benefits.
- Sec. 12913. Simplified method for taxing annuity distributions under certain employer plans.
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#### SUBCHAPTER C—TARGETED ACCESS TO PENSION PLANS FOR SMALL EMPLOYERS

- Sec. 12916. Credit for pension plan start-up costs of small employers.
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- Sec. 12921. Limitation on combined section 415 limit.

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- Sec. 12931. Treatment of leased employees.
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- Sec. 12933. Elimination of special vesting rule for multiemployer plans.
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- Sec. 12935. Treatment of governmental and multiemployer plans under section 415.
- Sec. 12936. Treatment of deferred compensation plans of State and local governments and tax-exempt organizations.
- Sec. 12937. Contributions on behalf of disabled employees.
- Sec. 12938. Distributions under rural cooperative plans.
- Sec. 12939. Tenured faculty.
- Sec. 12940. Uniform retirement age.
- Sec. 12941. Modifications of section 403(b).
- Sec. 12942. Tax on prohibited transactions.
- Sec. 12943. Extension of Internal Revenue Service user fees.

### CHAPTER 2—CHURCH PLANS

- Sec. 12951. New qualification provision for church plans.
- Sec. 12952. Retirement income accounts of churches.
- Sec. 12953. Contracts purchased by a church.

- Sec. 12954. Change in distribution requirement for retirement income accounts.  
 Sec. 12955. Required beginning date for distributions under church plans.  
 Sec. 12956. Participation of ministers in church plans.  
 Sec. 12957. Certain rules aggregating employees not to apply to churches, etc.  
 Sec. 12958. Self-employed ministers treated as employees for purposes of certain welfare benefit plans and retirement income accounts.  
 Sec. 12959. Deductions for contributions by certain ministers to retirement income accounts.  
 Sec. 12960. Modification for church plans of rules for plans maintained by more than one employer.  
 Sec. 12961. Section 457 not to apply to deferred compensation of a church.  
 Sec. 12962. Church plan modification to separate account requirement of section 401(h).  
 Sec. 12963. Rule relating to investment in contract not to apply to foreign missionaries.  
 Sec. 12964. Repeal of elective deferral catch-up limitation for retirement income accounts.  
 Sec. 12965. Church plans may annuitize benefits.  
 Sec. 12966. Church plans may increase benefit payments.  
 Sec. 12967. Rules applicable to self-insured medical reimbursement plans not to apply to plans of churches.  
 Sec. 12968. Retirement benefits of ministers not subject to tax on net earnings from self-employment.

## 1           **Subtitle A—Family Tax Relief**

### 2   **SEC. 12001. CHILD TAX CREDIT.**

3           (a) **IN GENERAL.**—Subpart A of part IV of sub-  
 4 chapter A of chapter 1 (relating to nonrefundable personal  
 5 credits) is amended by inserting after section 22 the fol-  
 6 lowing new section:

#### 7   **“SEC. 23. CHILD TAX CREDIT.**

8           “(a) **ALLOWANCE OF CREDIT.**—There shall be al-  
 9 lowed as a credit against the tax imposed by this chapter  
 10 for the taxable year an amount equal to \$500 multiplied  
 11 by the number of qualifying children of the taxpayer.

12           “(b) **LIMITATION.**—

13           “(1) **IN GENERAL.**—The amount of the credit  
 14           which would (but for this subsection) be allowed by



1 purposes of the preceding sentence, a legally  
 2 adopted child of an individual shall be treated  
 3 as the child of such individual by blood.”

4 (b) CONFORMING AMENDMENT.—Section  
 5 2032A(b)(5)(A) is amended by striking out the last sen-  
 6 tence.

7 (c) EFFECTIVE DATE.—The amendments made by  
 8 this section shall apply with respect to leases entered into  
 9 after December 31, 1995.

## 10 **Subtitle E—Extension of Expiring** 11 **Provisions**

### 12 **CHAPTER 1—EXTENSIONS THROUGH** 13 **FEBRUARY 28, 1997**

#### 14 **SEC. 12401. WORK OPPORTUNITY TAX CREDIT.**

15 (a) AMOUNT OF CREDIT.—Subsection (a) of section  
 16 51 (relating to amount of credit) is amended by striking  
 17 “40 percent” and inserting “35 percent”.

18 (b) MEMBERS OF TARGETED GROUPS.—Subsection  
 19 (d) of section 51 is amended to read as follows:

20 “(d) MEMBERS OF TARGETED GROUPS.—For pur-  
 21 poses of this subpart—

22 “(1) IN GENERAL.—An individual is a member  
 23 of a targeted group if such individual is—

24 “(A) a qualified IV–A recipient,

25 “(B) a qualified veteran,

- 1           “(C) a qualified ex-felon,  
2           “(D) a high-risk youth,  
3           “(E) a vocational rehabilitation referral, or  
4           “(F) a qualified summer youth employee.

5           “(2) QUALIFIED IV–A RECIPIENT.—

6           “(A) IN GENERAL.—The term ‘qualified  
7           IV–A recipient’ means any individual who is  
8           certified by the designated local agency as being  
9           a member of a family receiving assistance under  
10          a IV–A program for at least a 9-month period  
11          ending during the 9-month period ending on the  
12          hiring date.

13          “(B) IV–A PROGRAM.—For purposes of  
14          this paragraph, the term ‘IV–A program’ means  
15          any program providing assistance under a State  
16          plan approved under part A of title IV of the  
17          Social Security Act (relating to assistance for  
18          needy families with minor children) and any  
19          successor of such program.

20          “(3) QUALIFIED VETERAN.—

21          “(A) IN GENERAL.—The term ‘qualified  
22          veteran’ means any veteran who is certified by  
23          the designated local agency as being—

24                  “(i) a member of a family receiving  
25                  assistance under a IV–A program (as de-

1            fined in paragraph (2)(B)) for at least a 9-  
2            month period ending during the 12-month  
3            period ending on the hiring date, or

4            “(ii) a member of a family receiving  
5            assistance under a food stamp program  
6            under the Food Stamp Act of 1977 for at  
7            least a 3-month period ending during the  
8            12-month period ending on the hiring date.

9            “(B) VETERAN.—For purposes of subpara-  
10           graph (A), the term ‘veteran’ means any indi-  
11           vidual who is certified by the designated local  
12           agency as—

13           “(i)(I) having served on active duty  
14           (other than active duty for training) in the  
15           Armed Forces of the United States for a  
16           period of more than 180 days, or

17           “(II) having been discharged or re-  
18           leased from active duty in the Armed  
19           Forces of the United States for a service-  
20           connected disability, and

21           “(ii) not having any day during the  
22           60-day period ending on the hiring date  
23           which was a day of extended active duty in  
24           the Armed Forces of the United States.

1 For purposes of clause (ii), the term ‘extended  
2 active duty’ means a period of more than 90  
3 days during which the individual was on active  
4 duty (other than active duty for training).

5 “(4) QUALIFIED EX-FELON.—The term ‘quali-  
6 fied ex-felon’ means any individual who is certified  
7 by the designated local agency—

8 “(A) as having been convicted of a felony  
9 under any statute of the United States or any  
10 State,

11 “(B) as having a hiring date which is not  
12 more than 1 year after the last date on which  
13 such individual was so convicted or was released  
14 from prison, and

15 “(C) as being a member of a family which  
16 had an income during the 6 months imme-  
17 diately preceding the earlier of the month in  
18 which such income determination occurs or the  
19 month in which the hiring date occurs, which,  
20 on an annual basis, would be 70 percent or less  
21 of the Bureau of Labor Statistics lower living  
22 standard.

23 Any determination under subparagraph (C) shall be  
24 valid for the 45-day period beginning on the date  
25 such determination is made.

1           “(5) HIGH-RISK YOUTH.—

2                   “(A) IN GENERAL.—The term ‘high-risk  
3 youth’ means any individual who is certified by  
4 the designated local agency—

5                           “(i) as having attained age 18 but not  
6 age 25 on the hiring date, and

7                           “(ii) as having his principal place of  
8 abode within an empowerment zone or en-  
9 terprise community.

10           “(B) YOUTH MUST CONTINUE TO RESIDE  
11 IN ZONE.—In the case of a high-risk youth, the  
12 term ‘qualified wages’ shall not include wages  
13 paid or incurred for services performed while  
14 such youth’s principal place of abode is outside  
15 an empowerment zone or enterprise community.

16           “(6) VOCATIONAL REHABILITATION REFER-  
17 RAL.—The term ‘vocational rehabilitation referral’  
18 means any individual who is certified by the des-  
19 ignated local agency as—

20                   “(A) having a physical or mental disability  
21 which, for such individual, constitutes or results  
22 in a substantial handicap to employment, and

23                   “(B) having been referred to the employer  
24 upon completion of (or while receiving) rehabili-  
25 tative services pursuant to—

1           “(i) an individualized written rehabili-  
2           tation plan under a State plan for voca-  
3           tional rehabilitation services approved  
4           under the Rehabilitation Act of 1973, or

5           “(ii) a program of vocational rehabili-  
6           tation carried out under chapter 31 of title  
7           38, United States Code.

8           “(7) QUALIFIED SUMMER YOUTH EMPLOYEE.—

9           “(A) IN GENERAL.—The term ‘qualified  
10          summer youth employee’ means any individ-  
11          ual—

12          “(i) who performs services for the em-  
13          ployer between May 1 and September 15,

14          “(ii) who is certified by the designated  
15          local agency as having attained age 16 but  
16          not 18 on the hiring date (or if later, on  
17          May 1 of the calendar year involved),

18          “(iii) who has not been an employee  
19          of the employer during any period prior to  
20          the 90-day period described in subpara-  
21          graph (B)(i), and

22          “(iv) who is certified by the des-  
23          ignated local agency as having his principal  
24          place of abode within an empowerment  
25          zone or enterprise community.

1           “(B) SPECIAL RULES FOR DETERMINING  
2 AMOUNT OF CREDIT.—For purposes of applying  
3 this subpart to wages paid or incurred to any  
4 qualified summer youth employee—

5           “(i) subsection (b)(2) shall be applied  
6 by substituting ‘any 90-day period between  
7 May 1 and September 15’ for ‘the 1-year  
8 period beginning with the day the individ-  
9 ual begins work for the employer’, and

10           “(ii) subsection (b)(3) shall be applied  
11 by substituting ‘\$3,000’ for ‘\$6,000’.

12 The preceding sentence shall not apply to an in-  
13 dividual who, with respect to the same em-  
14 ployer, is certified as a member of another tar-  
15 getted group after such individual has been a  
16 qualified summer youth employee.

17           “(C) YOUTH MUST CONTINUE TO RESIDE  
18 IN ZONE.—Paragraph (4)(B) shall apply for  
19 purposes of this paragraph.

20           “(8) HIRING DATE.—The term ‘hiring date’  
21 means the day the individual is hired by the em-  
22 ployer.

23           “(9) DESIGNATED LOCAL AGENCY.—The term  
24 ‘designated local agency’ means a State employment  
25 security agency established in accordance with the

1 Act of June 6, 1933, as amended (29 U.S.C. 49–  
2 49n).

3 “(10) SPECIAL RULES FOR CERTIFICATIONS.—

4 “(A) IN GENERAL.—An individual shall  
5 not be treated as a member of a targeted group  
6 unless—

7 “(i) on or before the day on which  
8 such individual begins work for the em-  
9 ployer, the employer has received a certifi-  
10 cation from a designated local agency that  
11 such individual is a member of a targeted  
12 group, or

13 “(ii)(I) on or before the day the indi-  
14 vidual is offered employment with the em-  
15 ployer, a pre-screening notice is completed  
16 by the employer with respect to such indi-  
17 vidual, and

18 “(II) not later than the 14th day after  
19 the individual begins work for the em-  
20 ployer, the employer submits such notice,  
21 signed by the employer and the individual  
22 under penalties of perjury, to the des-  
23 ignated local agency as part of a written  
24 request for such a certification from such  
25 agency.



1 For purposes of this paragraph, the term ‘pre-  
2 screening notice’ means a document (in such  
3 form as the Secretary shall prescribe) which  
4 contains information provided by the individual  
5 on the basis of which the employer believes that  
6 the individual is a member of a targeted group.

7 “(B) INCORRECT CERTIFICATIONS.—If—

8 “(i) an individual has been certified  
9 by a designated local agency as a member  
10 of a targeted group, and

11 “(ii) such certification is incorrect be-  
12 cause it was based on false information  
13 provided by such individual,

14 the certification shall be revoked and wages  
15 paid by the employer after the date on which  
16 notice of revocation is received by the employer  
17 shall not be treated as qualified wages.

18 “(C) EXPLANATION OF DENIAL OF RE-  
19 QUEST.—If a designated local agency denies a  
20 request for certification of membership in a tar-  
21 geted group, such agency shall provide to the  
22 person making such request a written expla-  
23 nation of the reasons for such denial.”

1 (c) MINIMUM EMPLOYMENT PERIOD.—Paragraph  
2 (3) of section 51(i) (relating to certain individuals ineli-  
3 gible) is amended to read as follows:

4 “(3) INDIVIDUALS NOT MEETING MINIMUM EM-  
5 PLOYMENT PERIOD.—No wages shall be taken into  
6 account under subsection (a) with respect to any in-  
7 dividual unless such individual either—

8 “(A) is employed by the employer at least  
9 180 days (20 days in the case of a qualified  
10 summer youth employee), or

11 “(B) has completed at least 400 hours  
12 (120 hours in the case of a qualified summer  
13 youth employee) of services performed for the  
14 employer.”

15 (d) TERMINATION.—Paragraph (4) of section 51(c)  
16 (relating to wages defined) is amended to read as follows:

17 “(4) TERMINATION.—The term ‘wages’ shall  
18 not include any amount paid or incurred to an indi-  
19 vidual who begins work for the employer—

20 “(A) after December 31, 1994, and before  
21 January 1, 1996, or

22 “(B) after February 28, 1997.”

23 (e) REDESIGNATION OF CREDIT.—

1           (1) Sections 38(b)(2) and 51(a) are each  
2 amended by striking “targeted jobs credit” and in-  
3 serting “work opportunity credit”.

4           (2) The subpart heading for subpart F of part  
5 IV of subchapter A of chapter 1 is amended by  
6 striking “**Targeted Jobs Credit**” and inserting  
7 “**Work Opportunity Credit**”.

8           (3) The table of subparts for such part IV is  
9 amended by striking “targeted jobs credit” and in-  
10 serting “work opportunity credit”.

11       (f) BUSINESS AWARENESS PROGRAM.—The Sec-  
12 retary of Labor shall implement a program to encourage  
13 small businesses to use the services of local agencies to  
14 identify individuals who qualify to be certified as members  
15 of targeted groups (as defined in section 51 of the Internal  
16 Revenue Code of 1986, as amended by this section). Such  
17 Secretary, and the heads of other Federal agencies, shall  
18 make every effort to encourage small businesses to benefit  
19 from the credit allowable under such section by simplifying  
20 procedures to the extent possible.

21       (g) TECHNICAL AMENDMENTS.—

22           (1) Paragraph (1) of section 51(c) is amended  
23 by striking “, subsection (d)(8)(D),”.

1           (2) Paragraph (3) of section 51(i) is amended  
2       by striking “(d)(12)” each place it appears and in-  
3       serting “(d)(6)”.

4       (h) EFFECTIVE DATE.—The amendments made by  
5       this section shall apply to individuals who begin work for  
6       the employer after December 31, 1995.

7       **SEC. 12402. EMPLOYER-PROVIDED EDUCATIONAL ASSIST-**  
8                               **ANCE PROGRAMS.**

9       (a) EXTENSION.—Subsection (d) of section 127 (re-  
10      lating to educational assistance programs) is amended by  
11      striking “December 31, 1994” and inserting “February  
12      28, 1997”.

13      (b) CONFORMING AMENDMENTS.—Paragraph (2) of  
14      section 127(a) is amended—

15           (1) by inserting “(\$875 in calendar year  
16           1997)” after “\$5,250” the second and third place it  
17           appears, and

18           (2) by striking “\$5,250” in the heading.

19      (c) SPECIAL RULE.—In the case of any taxable year  
20      beginning in 1997, only amounts paid before March 1,  
21      1997, by the employer for educational assistance for the  
22      employee shall be taken into account in determining the  
23      amount excluded under section 127 of the Internal Reve-  
24      nue Code of 1986 with respect to such employee for such  
25      taxable year.

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