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SENATE

REPORT
No. 95-1306

SOCIAL SERVICES, CHILD CARE, AND CHILD SUPPORT

OCTOBER 9 (legislative day SEPTEMBER 28), 1978.—Ordered to be printed

Mr. LONG, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 12973]

The Committee on Finance, to which was referred the bill (H.R. 12973) to amend title XX of the Social Security Act to increase the entitlement ceiling and otherwise provide for an expanded social services program, to promote consultation and cooperative efforts among States, localities, and other local public and private agencies to coordinate services, to extend certain provisions of Public Law 94-401, and for other purposes, having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill as amended do pass.

I. SUMMARY OF THE BILL

H.R. 12973, as amended by the committee, modifies and extend as number of provisions of present law relating to the title XX social services program, and adds several provisions to improve and strengthen the child support program under title IV-D of the Social Security Act.

SOCIAL SERVICES AND CHILD CARE

Use of child care funds and tax credit for employing welfare recipients.—In H.R. 13511, the Revenue Act of 1978, reported October 1, 1978, the committee included a provision to increase the Federal ceiling on social services funding in 1979 to $2.9 billion. For that year, $200 million of the total is earmarked for child care services. This same amount has been provided for title XX child care services in fiscal years 1977 and 1978, under the provisions of Public Law 94-401. H.R. 12973 would continue the requirement in present law that the $200

million earmarked for child care should be used to increase the employment of welfare recipients and other low-income persons in child care jobs. The committee bill also modifies provisions of present law relating to the use of title XX child care funds and the welfare recipient employment tax credit for employing welfare recipients in child care jobs. Under the committee bill, the tax credit provision will generally conform to the new welfare recipient tax credit provisions adopted as part of H.R. 13511. State social services agencies will be able to use title XX funds for direct reimbursement of the costs of employing welfare recipients in child care jobs up to a total of $6,000 per year per employee in the case of nonprofit and public providers, and up to $5,000 per year in the case of proprietary providers (no non-Federal matching share is required). In addition, the committee bill woudl modify existing law to permit these tax credit and direct reimburesment provisions to be used for part-time as well as full-time employment and would permit the direct reimburesement amounts to be included as wages in computing the tax credit to the extent necessary to provide a tax credit of $1,000 per employee. These provisions would be effective from October 1, 1979, to September 30, 1983.

Addicts and alcoholics.—The Congress has twice enacted a temporary amendment to title XX, due to expire September 30, 1978, to require that special confidentiality requirements of the Comprehensive Alcohol Abuse Act be observed with regard to addicts and alcoholics, clarify that the entire rehabilitative process must be considered in determining whether medical services provided to addicts and alcoholics can be funded as an integral part of a State social services program, and provide for funding of a 7-day detoxification period even though social services funding is generally not available for persons in institutions. The committee amendment would make the provisions permanent.

Emergency shelter.—Under present law title XX funds may be used to provide emergency shelter for children, but not for adults. Under the committee bill, the use of title XX funds for emergency shelter could also be extended to adults in danger of physical or mental injury, neglect, maltreatment, or exploitation. As is the case for children, emergency shelter could be provided for up to 30 days in any 6-month period.

Child care staffing standards.—Certain minimum staffing standards are required for child care provided under title XX. However, the applicability of the standards for pre-school-age children has been postponed several times to await the findings and recommendations of a study by HEW of the appropriateness of the child care standards. HEW has issued its appropriateness report, but has not yet developed recommendations for standards and has requested a delay for an additional year, to October 1, 1979, in the application of the title XX standards. The committee bill continues the suspension of the standards to October 1, 1979. It also deletes a requirement in present law that prevents States from lowering their staffing standards below the September, 1975, standards applicable in each State.

Requirements for centers with few children receiving Federally-funded care and for family day care homes.—Under present law, due to expire September 30, 1978, State welfare agencies are permitted to waive the Federal staffing requirements in the case of child care centers and group day care homes which meet State standards if the children

receiving federally funded care represent no more than 20 percent of the total number of children served—or, in the case of a center, there are no more than five such children—provided that it is infeasible to place the children in a facility which does meet the Federal requirements. In addition, in counting the number of children who may be cared for in a family day care home, the family day care mother's own children are not counted unless they are under age 6. The committee bill would extend these provisions for 1 additional year.

State plan requirements-consultation with local officials.—Title XX requires States to publish a proposed social services plan each year and to provide for a public comment period. The committee bill would require States to consult with local elected officials prior to the publication of the proposed title XX plan and to summarize the principal views expressed as a result of that consultation in the proposed plan.

Territorial funding.—Under present law, a part of the total Federal funding available to the States can be used for social services in the territories. For Puerto Rico, the amount available is $15 million and for Guam and the Virgin Islands the amount available is $500,000. These amounts are provided only to the extent that the States do not use the full amount available under the $2.5 billion ceiling. The committee provision would retain these amounts within the ceiling but would assure their availability to the territories. The ceiling allocated to the States would be reduced by the $16 million provided to the territories. The bill would also provide an allocation of $100,000 to the Commonwealth of the Northern Mariana Islands.

GAO study of title XX program.—The committee bill directs the Comptroller General to undertake a study of the title XX social services program. The study is to assess the extent to which the program has met its objectives and to analyze the relationship between program costs and benefits. The Comptroller General is also directed to study the criteria used by the States in determining how title XX funds are to be allocated among competing needs. He is also to study and make recommendations concerning the capability of State and Federal Governments to evaluate the program and assess its relative costs and benefits.

Child support management information system.—Under present law, States and localities that wish to establish and use computerized information systems in the management of their child support programs receive 75 percent Federal matching of their expenditures. The committee bill would provide an incentive to State and local child support enforcement agencies to develop new systems, to expand or enhance their existing systems, or to utilize model systems developed by HEW's Office of Child Support Enforcement by increasing the rate of matching to 90 percent for the costs of developing and implementing the systems. The cost of operating such systems would continue at the 75 percent matching rate.

Under the provision, the Office of Child Support Enforcement, Department of Health, Education, and Welfare would be required, on a continuing basis, to provide technical assistance to the States and would have to approve the State system as a condition of Federal matching. (Continuing review of the State systems would also be required.)

To qualify for HEW approval, the system would have to meet specific requirements, including capacity to account for child support collections and distributions; handle billing, monitoring and enforcement; provide management information; provide for cross-checking with AFDC records; handle interstate activity; provide necessary data for Federal statistical reporting requirements; and assure security against unauthorized access to or use of the data system.

Access to wage information for child support collection.—The committee bill would improve the capacity of State and local child support enforcement agencies to acquire accurate wage data on an individual which is necessary for child support purposes for determining, establishing, and enforcing an individual's child support obligation and the ability to meet it by providing authority for the States to have access to earnings information in records maintained by the Social Security Administration and State employment security records for purposes of the child support program. The Labor Department and the Department of HEW would be authorized to establish necessary safeguards against improper disclosure of the information.

Collection of child support for families not on welfare by the Internal Revenue Service.—Present law authorizes States (subject to certification by the Secretary of Health, Education, and Welfare) to use the Federal income tax mechanism for collecting support payments for families receiving AFDC, if the State has made diligent and reasonable efforts to collect the payments without success and the amount sought is based on noncompliance with a court order for support. The committee bill would extend the IRS collection responsibilities to non-AFDC child support enforcement cases, subject to the same certification and other requirements that are now used in the case of families receiving AFDC.

Child support reporting and matching procedures.—The committee bill would improve State reporting of child support collections and expenditures by prohibiting advance payment to the State of the Federal share of administrative expenses for a calendar quarter unless it has submitted a full and complete report of the amount of child support collected and disbursed for the calendar quarter which ended 6 months earlier. The bill would also require the Department of Health, Education, and Welfare to reduce the amount of payments to the State by the Federal share of child support collections made but not reported by the State.

II. General Discussion of the Bill

A. SOCIAL SERVICES AND CHILD CARE

Child care (sections 2 and 5 of the bill)

Present law.—Under the title XX social services program, States are given broad discretion in using the Federal funds they are entitled to receive under the matching provisions provided in law. Although States vary widely in the kinds of services they elect to provide, a significant portion of title XX funds—22 percent nationwide—is spent for child care. In both fiscal years 1977 and 1978, the Congress provided $200 million specifically earmarked for child care. This amount was allotted to the States on a 100 percent Federal funding basis, and was in addition to the State's share of $2.5 billion, which is the amount

available to the States each year under the permanent title XX spending ceiling.

The special $200 million child care authorization was first provided by the 94th Congress in Public Law 94–401 for fiscal year 1977. This legislation was enacted after concern was expressed by a number of States that they would be unable to meet the child care staffing requirements mandated by the Social Services Amendments of 1974 for all child care provided with title XX funds. In addition to the special $200 million in funding for child care, Public Law 94–401 included provisions (1) specifying that the new money should be used to the maximum extent possible to increase the employment of welfare recipients and other low-income persons in child care jobs, (2) allowing the use of funds to reimburse employers for salaries of welfare recipients hired as child care workers, and (3) creating a new tax credit for employers who hire welfare recipients as child care workers. Public Law 94–401 also provided for a delay in the implementation of the staffing standards for pre-school-age children, awaiting a report by the Secretary of Health, Education, and Welfare on the appropriateness of the child care standards required under title XX. There was also provision for waiver of Federal staffing requirements in the case of child care centers and group homes which served only a small number of children receiving federally funded care. In addition, the act provided that in counting the number of children who could be cared for in a family day care home, the family day care mother's own children were not to be included unless they were under age 6.

The above provisions of Public Law 94–401 were extended for an additional year, through fiscal year 1978, to await the completion of the HEW report on the appropriateness of the child care standards.

TABLE 1.—DAY CARE FOR CHILDREN UNDER TITLE XX OF THE SOCIAL SECURITY ACT, AS ESTIMATED IN STATE PLANS FOR FISCAL YEAR 1978 (INCLUDES FEDERAL AND STATE EXPENDITURES)

State	Number of children	Expenditures for day care	Expenditures for all title XX programs	Day care expenditures as percentage of total expenditures
Alabama	16,000	$16,139,215	$59,987,055	26.9
Alaska				
Arizona	20,106	7,961,278	36,513,366	21.8
Arkansas	4,048	1,125,134	32,741,667	3.7
California	79,573	138,292,774	468,500,000	29.5
Colorado	21,126	10,042,829	39,666,667	25.3
Connecticut [1]				
Delaware	2,200	4,368,794	9,518,660	45.9
District of Columbia	6,500	3,016,200	15,869,200	19.0
Florida	14,456	19,600,000	132,340,973	14.8
Georgia	17,792	21,664,977	85,313,279	26.0
Hawaii	1,491	3,941,800	13,510,000	29.2
Idaho	892	456,864	12,900,000	3.5
Illinois	22,690	39,834,000	192,612,350	20.7
Indiana	4,250	5,642,000	87,642,000	6.4
Iowa	16,386	3,699,031	46,225,325	8.0
Kansas [1]				
Kentucky	2,282	3,848,426	53,723,359	7.2
Louisiana	15,030	8,079,866	59,915,161	13.5
Maine	3,970	2,690,460	17,076,199	15.8

Maryland	11,447	15,502,366	64,816,308	23.9
Massachusetts	21,390	30,350,000	128,318,000	23.7
Michigan	[2] 21,750	31,559,860	151,939,333	20.8
Minnesota	9,534	5,585,055	61,274,859	9.1
Mississippi	4,357	10,628,762	35,087,661	30.3
Missouri	20,657	14,998,332	67,910,692	22.1
Montana	2,270	981,333	14,542,163	6.8
Nebraska	8,380	6,850,000	24,333,333	28.2
Nevada	1,973	678,692	9,518,956	7.1
New Hampshire	3,775	3,543,800	12,896,600	27.5
New Jersey	24,765	38,920,264	127,262,368	30.6
New Mexico	3,533	3,434,015	17,800,000	19.3
New York	84,271	119,644,015	283,333,382	42.2
North Carolina	27,245	17,595,743	83,550,914	21.1
North Dakota	1,402	323,699	10,139,067	3.2
Ohio	46,658	24,679,871	168,475,000	14.7
Oklahoma [1]				
Oregon [1]				
Pennsylvania	25,848	74,247,823	226,638,451	32.8
Rhode Island	6,358	1,865,976	16,393,677	11.4
South Carolina	4,655	9,469,986	44,964,928	21.1
South Dakota	[2] 2,768	1,447,247	11,305,933	12.8
Tennessee [1]				
Texas	34,270	30,644,581	196,344,260	15.6
Utah	8,110	3,460,059	8,823,141	18.4

TABLE 1.—DAY CARE FOR CHILDREN UNDER TITLE XX OF THE SOCIAL SECURITY ACT, AS ESTIMATED IN STATE PLANS FOR FISCAL YEAR 1978 (INCLUDES FEDERAL AND STATE EXPENDITURES)—Continued

State	Number of children	Expenditures for day care	Expenditures for all title XX programs	Day care expenditures as percentage of total expenditures
Vermont	2,346	2,530,000	7,882,758	32.1
Virginia	16,227	11,600,057	83,497,083	13.9
Washington	11,002	9,082,063	78,697,851	11.5
West Virginia	[2] 5,500	6,981,659	35,363,642	19.7
Wisconsin	78,940	3,953,000	113,091,346	3.5
Wyoming	3,500	1,064,828	5,987,913	17.8
Total	[2] 711,705	772,116,734	3,462,244,880	22.3

[1] State plan does not identify day care for children as a separate component.

[2] The total for estimated number of clients to be served by title XX in fiscal year 1978: Excludes monthly population estimates in Michigan and West Virginia; and excludes the population estimate for South Dakota which includes nontitle XX recipients.

Source: Department of Health, Education, and Welfare.

The report by the Secretary on the appropriateness of the child care standards, originally due July 1, 1977, was completed in June 1978 and has been transmitted to the Congress. However, the Department of HEW has indicated that it needs additional time to develop recommendations for standards and has requested that the child care provisions of Public Law 94–401 be extended for 1 additional fiscal year, to October 1, 1979.

Committee bill.—The committee bill generally extends the provisions of Public Law 94–401 relating to child care, but with some modifications.

1. Use of child care funds and tax credit for employing welfare recipients.—The intent of the committee is to have the tax credit for employing welfare recipients in child care jobs generally conform to the provisions of the revised WIN/welfare recipient tax credit in the tax cut bill, H.R. 13511. Under that bill, the new provision would, in fact, apply to individuals hired in child care jobs in the same manner as they apply to other individuals. However, two special provisions are provided which are specifically directed at child care jobs.

First, where the general welfare recipient tax credit applies only to full-time jobs, tax credits for individuals employed in child care would, under this bill, be available also in the case of part-time employment. The general welfare recipient tax credit is computed only on the basis of nonreimbursed wages. This change would be effective through 1983.

The second change specifically involving child care employment involves both the tax credit and the special provisions allowing the use of title XX child care funds to directly reimburse employers for the cost of hiring welfare recipients in child care jobs. No non-Federal matching share is required where the funds are used for this purpose. Under the existing law provision which expired at the end of September 1978, direct reimbursement of up to $5,000 in wages paid to a welfare recipient by a nonprofit or public child care provider was allowed under title XX. The committee bill would extend this to $6,000 or about the present equivalent of the minimum wage (on a full-time basis). For proprietary child care providers, present law allowed a direct title XX grant up to $4,000 which could be supplemented by a tax credit. The committee bill similarly increases the $4,000 limit to $5,000.

In order to assure that proprietary centers receiving this full $5,000 grant will be able to qualify for a tax credit sufficient to provide the additional $1,000 necessary for comparable treatment with nonprofit and public providers, the bill also provides a special computation rule for the tax credit. Under the general tax credit provisions, wages which are reimbursed cannot be used in computing the amount of the credit. The committee bill would permit the use of reimbursed wages (where the reimbursement is provided under the special title XX provisions described above) to the extent necessary to increase the tax credit to $1,000. These provisions related to direct reimbursement are also made effective under the bill for a period of 5 years. However, as a practical matter they would apply only so long as the special $200 million in child care funding is available.

2. Child care staffing standards.—In view of the fact that the Department of Health, Education, and Welfare is undertaking a

major effort to develop new regulations for child care services provided under title XX, the committee believes that the suspension in the implementation of current staffing standards for preschool children should be continued for one additional year. In addition to continuing this suspension through fiscal year 1979, the committee bill would delete a requirement in present law that prevents States from lowering their staffing standards below the September 1975 standards applicable in each State.

3. Requirements for centers with few children receiving Federally funded care and for family day care homes.—The Committee bill continues through fiscal year 1979 two provisions which give States flexibility in applying staffing requirements. State welfare agencies would be permitted to continue to waive the Federal staffing requirements in the case of child care centers and group day care homes which meet State standards if the children receiving federally funded care represent no more than 20 percent of the total number of children served, or, in the case of a center, there are no more than five such children. This waiver may be applied only if it is infeasible to place the children in a facility which does meet the Federal requirements. The bill also provices that in counting the number of children who may be cared for in a family day care home, the family day care mother's own children are not counted unless they are under age 6.

Addicts and alcoholics (section 3 of the bill)

Present law.—Since the enactment of title XX the number of States reporting the provision of services to alcohol and drug abusers has significantly increased. In 1976, 36 States included services to these individuals in their State plans. In 1978, a total of 45 States indicated that they would target services for alcoholics and drug abusers. In Public Law 94–120 the Congress enacted several temporary amendments to title XX to strengthen the services which States could provide to alcoholics and drug addicts. These provisions, originally enacted for 1 year, were later twice extended and expired September 30, 1978.

Committee bill.—The bill would make premanent the provisions of Public Law 94–120 relating to addicts and alcoholics. The bill allows consideration of the entire rehabilitative process in determining whether medical services provided to addicts and alcoholics are an integral but subordinate part of a social services, and thus are an allowable service under the title XX program. The bill also makes permanent requires that the special confidentiality requirements of tion services provided to alcoholics and drug addicts in a medical insititution. Another temporary provision which would be made permanent requires that the special confidentiality requirements of the Comprehensive Alcohol Abuse Act be observed with regard to alcoholics and addicts who are receiving services under title XX.

Emergency shelter (section 4 of the bill)

Present law.—Under present law, States may use funds to provide emergency shelter for children as a protective service for up to 30 days HEW regulations provide that this service is limited to 30 days within any 6-month period. Every State now provides for emergency shelter services for children as part of the State plan.

Committee bill.—The bill would allow States to provide shelter care for adults who are in need of this service as well as for children. Under the committee bill, emergency shelter could be provided, for up to 30 days in any 6-month period, as a protective service to an adult in danger of physical or mental injury, neglect, maltreatment, or exploitation.

Consultation with local officials (section 6 of the bill)

Present law.—Present law requires States to publish a proposed social services plan each year and to provide for a public comment period. The plan must include such information as the objectives to be achieved under the program, the services to be provided, the categories of individuals to whom the services are to be provided, the geographic areas in which the services are to be provided, and other related information.

Committee bill.—The administration proposed, as part of its national urban policy, that officials of local governments be given a greater role in planning the use of title XX funds. The committee bill would accomplish this purpose by requiring States to consult with local elected officials prior to the publication of the proposed plan and to provide each official with a reasonable opportunity to present his views prior to publication of the plan. The State must include in its proposed plan a description of the process of consultation that was followed, and a summary of the principal views expressed by the chief elected officials of the political subdivisions of the State.

Social services entitlement for Puerto Rico, Guam, the Virgin Islands, and the Northern Mariana Islands (section 7 of the bill)

Present law.—Puerto Rico, Guam, and the Virgin Islands do not participate in the title XX social services program on the same basis as the States. Instead, they may receive an allotment for social services only from the amount that the States and the District of Columbia certify, after the beginning of the fiscal year, that they will not use out of their share of the $2.5 billion in Federal funding under the title XX program. The law specifies that in no case can the allotment exceed $15 million for Puerto Rico and $500,000 each for Guam and the Virgin Islands. Because under present provisions of law these jurisdictions do not know in advance of the program year whether they will have any title XX funds available to them, or the magnitude of those funds, they have had difficulty in making the most effective use of the funds that have become available.

Committee bill.—The committee bill would amend present law by retaining the above amounts within the ceiling, but by also assuring their availability to the territories. The bill would also provide an allocation of $100,000 to the Northern Mariana Islands. Present law provides no funding for the Northern Marianas. The ceiling allocated to the States would be reduced by the $16.1 million provided to the territories.

Cost-benefit analysis of title XX programs (section 8 of the bill)

Present law.—There is a requirement in present law that the Secretary of Health, Education, and Welfare conduct a continuing evaluation of State social services programs and report within 6 months after

the close of each fiscal year on the operation of, the social services program, including his evaluation, Thus far the reporting by the Secretay has not included a cost-benefit analysis of title XX program.

Committee bill.—The committee believes that the Congress should be provided with sufficient information to enable it to evaluate the merits of this major social welfare program. The committee believes further that this analysis should be conducted by an agency which is not involved in the administration of the program. The bill includes an amendment to require the General Accounting Office to conduct a cost-benefit analysis which will include (1) the extent to which expenditures are meeting the purposes of title XX, (2) an evaluation of the criteria which States use in determining the types of and expenditures for services they are furnishing, and (3) the extent to which HEW and the States use evaluative mechanisms to determine the cost-benefit effectiveness of funds used for social services and the extent to which such mechanisms are used to improve the cost-benefit effectiveness of programs. The amendment also requires recommendations for improving the cost-benefit effectiveness of State services' programs.

B. CHILD SUPPORT ENFORCEMENT PROGRAM

The child support enforcement program, enacted at the end of the 94th Congress as title IV–D of the Social Security Act (Public Law 93–647), mandates aggressive administration at both the Federal and State and local levels with various incentives for compliance and with penalties for noncompliance. The program includes child support enforcement services for both welfare and nonwelfare families. The child support enforcement program leaves basic responsibility for child support and establishment of paternity to the States, but provides for an active role on the part of the Federal Government in monitoring and evaluating State child support enforcement programs, in providing technical assistance, and, in certain instances, in undertaking to give direct assistance to the States in locating absent parents and obtaining support payments from them.

In June 1978, the number of AFDC recipients dropped to 10.5 million, the lowest number of recipients on the rolls since October 1971. The cause of this decrease was certainly attributable in large measure to the child support enforcement program through collection of child support for families on AFDC and for those not receiving welfare. These collections either reduce or eliminate financial dependency on welfare.

Table 2 shows the most recent month and year in which the number of AFDC recipients in each State was lower than the number of such persons in June 1978. The ten jurisdictions ranked by the largest number of months since June 1978 when the caseload was lower than June are Puerto Rico, Nevada, Arizona, New Mexico, Louisian Georgia, Colorado, Wyoming, and New York.

TABLE 2.—MOST RECENT MONTH AND YEAR IN WHICH NUMBER OF AFDC RECIPIENTS WAS LOWER THAN THE NUMBER OF SUCH PERSONS IN JUNE 1978

State	Number of AFDC recipients, June 1978	Most recent month and year in which number of AFDC recipients was lower than in June 1978		Months since number of recipients was less than June 1978 and State rank by largest number of months	
		Month, year	Number receiving AFDC payment	Months	Rank
Total	10,516,302	.....	.....	.....	.....
Alabama	172,773	December 1977	170,810	6	37
Alaska	12,297	May 1978	12,146	1	47
Arizona	48,744	October 1969	48,100	104	3
Arkansas	88,793	September 1973	87,747	57	22
California	1,397,483	March 1975	1,394,958	39	25
Colorado	79,763	July 1970	77,500	95	7
Connecticut	136,990	May 1978	135,736	1	48
Delaware	30,880	November 1977	30,329	7	35
District of Columbia	93,530	May 1978	93,529	1	49
Florida	233,290	July 1970	228,000	95	8
Georgia	214,384	April 1970	214,000	98	6
Hawaii	58,653	May 1978	58,249	1	50
Idaho	19,167	July 1975	19,127	35	27
Illinois	709,987	April 1972	707,598	74	16
Indiana	151,750	October 1971	151,177	80	15

TABLE 2.—MOST RECENT MONTH AND YEAR IN WHICH NUMBER OF AFDC RECIPIENTS WAS LOWER THAN THE NUMBER OF SUCH PERSONS IN JUNE 1978—Continued

State	Number of AFDC recipients, June 1978	Most recent month and year in which number of AFDC recipients was lower than in June 1978		Months since number of recipients was less than June 1978 and State rank by largest number of months	
		Month, year	Number receiving AFDC payment	Months	Rank
Iowa	93,265	August 1975	93,220	34	28
Kansas	69,839	May 1978	68,797	1	50
Kentucky	168,399	April 1975	167,583	38	26
Louisiana	204,409	January 1970	203,000	101	5
Maine	60,113	February 1978	60,016	4	44
Maryland	203,509	July 1972	203,318	71	17
Massachusetts	368,591	February 1978	368,092	4	45
Michigan	621,222	January 1978	619,597	5	39
Minnesota	129,326	July 1977	129,218	11	31
Mississippi	167,661	January 1978	167,637	5	40
Missouri	205,953	May 1971	192,000	85	14
Montana	17,706	January 1978	17,439	5	41
Nebraska	36,023	May 1978	35,875	1	52
Nevada	10,187	August 1969	10,100	106	2
New Hampshire	21,354	July 1972	20,395	71	18

New Jersey	458,860	October 1977	454,600	8	34
New Mexico	51,152	December 1969	50,700	102	4
New York	1,153,799	August 1970	1,140,000	94	10
North Carolina	197,028	September 1977	196,484	9	32
North Dakota	14,112	March 1978	13,965	3	46
Ohio	501,954	August 1974	493,691	46	23
Oklahoma	87,342	May 1978	87,120	1	53
Oregon	121,111	November 1977	119,646	7	36
Pennsylvania	631,994	July 1976	631,079	23	30
Rhode Island	51,204	December 1974	51,175	42	24
South Carolina	142,861	January 1978	142,259	5	42
South Dakota	21,274	May 1973	21,227	61	20
Tennessee	161,128	September 1970	160,000	93	12
Texas	290,912	August 1970	284,000	94	11
Utah	37,382	May 1978	36,544	1	54
Vermont	19,409	December 1977	19,312	6	38
Virginia	163,170	July 1973	162,829	59	21
Washington	138,224	October 1970	137,000	92	13
West Virginia	66,571	January 1978	64,811	5	43
Wisconsin	190,659	March 1976	189,075	27	29
Wyoming	5,996	July 1970	5,900	95	9
Guam	4,797	September 1977	4,607	9	33
Puerto Rico	175,931	July 1968	174,000	119	1
Virgin Islands	3,400	February 1973	3,366	64	19

Source of data: SSA–ORS–FASS.

Table 3 shows the average monthly AFDC caseload in fiscal year 1977 and calendar year 1977.

TABLE 3.—AVERAGE MONTHLY AND TOTAL[1] NUMBER OF CASES RECEIVING AFDC FISCAL YEAR AND CALENDAR YEAR 1977

State	YEAR			
	Fiscal year 1977		Calendar year 1977	
	Average monthly number of cases	Total cases	Average monthly number of cases	Total cases
Total.....	3,589,000	43,068,000	3,583,000	42,996,000
Alabama.....	55,300	663,600	56,100	673,200
Alaska.....	4,200	50,400	4,400	52,800
Arizona.....	18,800	225,600	18,600	223,200
Arkansas.....	30,800	369,600	30,700	368,400
California.....	474,800	5,697,600	476,700	5,720,400
Colorado.....	31,700	380,400	31,600	379,200
Connecticut.....	43,700	524,400	44,100	529,200
Delaware.....	10,600	127,200	10,700	128,400
District of Columbia.....	31,300	375,600	31,700	380,400
Florida.....	81,600	979,200	82,800	993,600
Georgia.....	86,800	1,041,600	85,100	1,021,200
Guam.....	1,200	14,400	1,200	14,400
Hawaii.....	17,300	207,600	17,600	211,200
Idaho.....	6,800	81,600	6,900	82,800
Illinois.....	227,100	2,725,200	226,100	2,713,200
Indiana.....	55,000	660,000	54,400	652,800
Iowa.....	31,500	378,000	31,700	380,400
Kansas.....	27,600	331,200	27,600	331,200
Kentucky.....	66,600	799,200	65,300	783,600
Louisiana.....	65,500	786,000	65,000	780,000
Maine.....	19,800	237,600	19,800	237,600
Maryland.....	74,100	889,200	73,800	885,600
Massachusetts..	121,500	1,458,000	122,600	1,471,200
Michigan.....	204,200	2,456,400	202,900	2,434,800
Minnesota.....	46,200	554,400	46,700	560,400
Mississippi.....	52,900	634,800	52,800	633,600
Missouri.....	88,300	1,059,600	85,000	1,020,000
Montana.....	6,400	76,800	6,400	76,800
Nebraska.....	11,500	138,000	11,600	139,200
Nevada.....	4,200	50,400	4,100	49,200

TABLE 3.—AVERAGE MONTHLY AND TOTAL[1] NUMBER OF CASES RECEIVING AFDC FISCAL YEAR AND CALENDAR YEAR 1977—Continued

State	YEAR			
	Fiscal year 1977		Calendar year 1977	
	Average monthly number of cases	Total cases	Average monthly number of cases	Total cases
New Hampshire.	8,500	102,000	8,400	100,000
New Jersey.....	138,100	1,657,200	139,700	1,676,400
New Mexico.....	17,500	210,000	17,200	206,400
New York.....	389,800	4,677,600	3,871,000	4,648,800
North Carolina..	71,300	855,600	71,900	862,800
North Dakota....	4,800	57,600	4,900	58,800
Ohio.....	185,500	2,226,000	182,900	2,194,800
Oklahoma.....	28,600	343,200	28,700	344,400
Oregon.....	42,700	512,400	43,100	517,200
Pennsylvania....	206,200	2,474,400	207,300	2,487,600
Puerto Rico.....	42,900	514,800	42,000	512,400
Rhode Island....	17,300	207,600	17,300	207,600
South Carolina..	47,100	565,200	47,900	574,800
South Dakota....	8,000	96,000	7,800	93,600
Tennessee.....	64,900	778,800	62,800	753,600
Texas.....	97,900	1,174,800	97,400	1,168,800
Utah.....	12,500	150,000	12,700	152,400
Vermont.....	6,800	81,600	6,600	79,200
Virginia.....	59,300	11,600	59,400	712,800
Virgin Islands...	1,200	14,400	1,200	14,400
Washington.....	49,000	588,000	49,300	591,600
West Virginia....	21,200	254,400	21,300	255,600
Wisconsin.....	68,200	818,400	68,700	824,400
Wyoming.....	2,400	28,800	2,400	28,800

[1] Represents average monthly number of cases times 12. Data on unduplicated number of cases not available.

Source: Office of Family Assistance, Social Security Administration.

The following table (table 4) shows the average montly number of cases of parents located by the child support agencies as a percentage of AFDC case openings due to desertion for fiscal year 1977, by State. During this fiscal year the child support enforcement agencies located 86 percent more parents than AFDC opened cases because of their desertion. The five States that reduced their backlog in such cases the most were Nevada, Alaska, Pennsylvania, Georgia, and Alabama.

TABLE 4.—AVERAGE MONTHLY CHILD SUPPORT "PARENT LOCATED" CASES AS A PERCENTAGE OF AFDC CASE OPENINGS DUE TO DESERTION, FISCAL YEAR 1977

	Child support parents located cases [1]	AFDC deserted cases opened [2]	Percent of new cases
Alabama	929	227	409.3
Alaska	235	35	672.6
Arizona	415	136	305.1
Arkansas	296	260	113.8
California	4,122	3,658	112.7
Colorado	403	304	132.6
Connecticut	643	281	228.8
Delaware	22	74	29.7
District of Columbia	95	91	104.4
Florida	1,750	691	253.3
Georgia	1,306	270	483.7
Hawaii	431	143	301.7
Idaho	96	77	124.7
Illinois	678	801	84.6
Indiana	423	NA	.....
Iowa	180	261	69.0
Kansas	85	132	64.4
Kentucky	478	NA	.....
Louisiana	291	576	50.6
Maine	0	142	.1
Maryland	1,773	596	297.5
Massachusetts	157	615	25.5
Michigan	2,308	747	309.0
Minnesota	356	264	134.8
Mississippi	18	218	8.3
Missouri	0	NA	.....
Montana	199	73	272.6
Nebraska	100	150	66.7
Nevada	138	9	1,533.3
New Hampshire	40	60	66.7
New Jersey	1,922	798	240.9
New Mexico	295	NA	.....
New York	5,341	1,287	415.1
North Carolina	1,267	578	219.2
North Dakota	62	NA	.....

TABLE 4.—AVERAGE MONTHLY CHILD SUPPORT "PARENT LOCATED" CASES AS A PERCENTAGE OF AFDC CASE OPENINGS DUE TO DESERTION, FISCAL YEAR 1977—Continued

	Child support parents located cases [1]	AFDC deserted cases opened [2]	Percent of new cases
Ohio	2,795	1,018	274.6
Oklahoma	127	204	62.3
Oregon	1,821	376	484.3
Pennsylvania	169	1,283	13.2
Rhode Island	157	NA	.....
South Carolina	230	NA	.....
South Dakota	0	68	0
Tennessee	215	342	63.0
Texas	210	775	27.1
Utah	391	139	281.3
Vermont	82	84	98.4
Virginia	281	353	79.6
Washington	936	507	184.6
West Virginia	0	128	0
Wisconsin	872	229	380.8
Wyoming	187	NA	.....
Guam	0	NA	.....
Puerto Rico	208	NA	.....
Virgin Islands	43	NA	.....
Total	35,584	19,060	186.7

[1] Office of Child Support Enforcement, fiscal year 1977 annual report.
[2] Projected from AFDC quality control data estimates.
NA—Not available.

The following table (table 5) shows the average monthly number of cases of paternity established by the child support enforcement agencies as a percentage of "unwed mothers" case openings in fiscal year 1977, by State. During this fiscal year the child support enforcement agencies, through the courts, established paternity in 7,189 cases or 30 percent of the AFDC "unwed mother" case openings during the fiscal year.

Only nine States established paternity in over 50 percent of the AFDC "unwed mothers" case openings. These were Arizona, New Jersey, Vermont, Wisconsin, Connecticut, Georgia, Alabama, North Carolina, and Iowa.

TABLE 5.—AVERAGE MONTHLY CHILD SUPPORT "PATERNITY ESTABLISHED" CASES AS A PERCENTAGE OF "UNWED MOTHER" CASE OPENINGS, FISCAL YEAR 1977

	Child support paternity established cases [1]	AFDC unwed mother cases [2]	Percent of new cases
Alabama	372	560	66.4
Alaska	2	32	6.3
Arizona	204	136	150.0
Arkansas	86	303	28.4
California	732	3,786	19.3
Colorado	66	310	21.3
Connecticut	168	220	76.6
Delaware	0	155	0
District of Columbia	7	221	3.2
Florida	333	1,342	24.8
Georgia	473	693	68.3
Hawaii	34	105	32.5
Idaho	9	84	10.7
Illinois	219	1,305	16.8
Indiana	46	NA	.....
Iowa	70	136	51.5
Kansas	62	345	18.0
Kentucky	26	NA	.....
Louisiana	65	837	7.9
Maine	1	62	1.6
Maryland	313	678	46.2
Massachusetts	35	510	6.9
Michigan	332	692	48.1
Minnesota	127	396	32.1
Mississippi	6	503	1.2
Missouri	0	NA	.....
Montana	1	102	1.0
Nebraska	0	72	0
Nevada	10	35	28.6
New Hampshire	4	33	12.1
New Jersey	727	798	91.1
New Mexico	11	NA	.....
New York	525	2,002	26.2
North Carolina	532	898	59.3
North Dakota	10	NA	.....

See footnotes at end of table, p. 21.

TABLE 5.—AVERAGE MONTHLY CHILD SUPPORT "PATERNITY ESTABLISHED" CASES AS A PERCENTAGE OF "UNWED MOTHER" CASE OPENINGS, FISCAL YEAR 1977—Continued

	Child support paternity established cases [1]	AFDC unwed mother cases [2]	Percent of new cases
Ohio	444	1,467	30.3
Oklahoma	6	314	1.9
Oregon	172	360	47.8
Pennsylvania	163	1,078	15.2
Rhode Island	12	NA	.....
South Carolina	51	NA	.....
South Dakota	12	85	14.1
Tennessee	166	639	26.0
Texas	3	1,204	.2
Utah	8	70	11.4
Vermont	16	18	88.9
Virginia	98	470	20.9
Washington	36	361	10.0
West Virginia	0	128	0
Wisconsin	384	441	87.1
Wyoming	2	NA	.....
Guam	0	NA	.....
Puerto Rico	1	NA	.....
Virgin Islands	1	NA	.....
Total	7,189	23,986	30.0

[1] Office of Child Support Enforcement, fiscal year 1977 annual report.
[2] Projected from AFDC quality control data estimates.

NA—Not available.

The following table (table 6) shows the average monthly dollar in child support payments collected as a percentage of dollar of AFDC benefits paid, by State, for calendar year 1977. The median percentage for all juridisctions is 4.2. The five States with the highest percentage of child support dollars collected per AFDC benefit dollar paid are South Dakota, Washington, Michigan, New Hampshire, and Wisconsin.

TABLE 6.—AVERAGE MONTHLY DOLLAR IN CHILD SUPPORT PAYMENTS COLLECTED AS PERCENTAGE OF DOLLAR OF AFDC BENEFITS PAID, CALENDAR YEAR 1977, ALPHABETICALLY BY STATE AND STATES RANKED BY LARGEST DOLLAR

Alphabetical			Rank		
State	Mos. data	Dollars	State	Mos. data	Dollars
Alabama	9	0.001	South Dakota	5	0.137
Alaska	1	.029	Washington	12	.121
Arizona	12	.019	Michigan	12	.105
Arkansas	12	.021	New Hampshire	12	.102
California	12	.039	Wisconsin	12	.091
Colorado	12	.046	Iowa	12	.089
Connecticut	12	.061	Minnesota	12	.085
Delaware	12	.050	North Dakota	9	.082
District of Columbia	12	.006	Idaho	12	.077
			Indiana	12	.074
Florida	10	.017	Connecticut	12	.061
Georgia	12	.011	Massachusetts	12	.060
Hawaii	8	.017	Maine	12	.059
Idaho	12	.077	Rhode Island	12	.056
Illinois	12	.012	Nevada	12	.053
Indiana	12	.074	Oregon	12	.053
Iowa	12	.089	Wyoming	12	.053
Kansas	12	.049	Delaware	12	.050
Kentucky	12	.018	Kansas	12	.049
Louisiana	12	.029	Vermont	12	.049
Maine	12	.059	New Jersey	12	.049
Maryland	12	.047	Nebraska	12	.049
Massachusetts	12	.060	Utah	12	.048
Michigan	12	.105	Maryland	12	.047
Minnesota	12	.085	Ohio	12	.047
Mississippi	11	.003	Colorado	12	.046
Missouri	(1)	.....	Median	12	.042
Montana	12	.023	Texas	12	.040
Nebraska	12	.049	California	12	.039
Nevada	12	.053	Pennsylvania	12	.038
New Hampshire	12	.102	Alaska	1	.029
New Jersey	12	.049	Louisiana	12	.029
New Mexico	12	.022	Tennessee	12	.029
New York	12	.026	West Virginia	12	.028
North Carolina	10	.026	New York	12	.026

[1] Not reported.

TABLE 6.—AVERAGE MONTHLY DOLLAR IN CHILD SUPPORT PAYMENTS COLLECTED AS PERCENTAGE OF DOLLAR OF AFDC BENEFITS PAID, CALENDAR YEAR 1977, ALPHABETICALLY BY STATE AND STATES RANKED BY LARGEST DOLLAR—Continued

Alphabetical			Rank		
State	Mos. data	Dollars	State	Mos. data	Dollars
North Dakota	9	0.082	North Carolina	10	0.026
Ohio	12	.047	Montana	12	.023
Oklahoma	12	.018	New Mexico	12	.022
Oregon	12	.053	Arkansas	12	.021
Pennsylvania	12	.038	Arizona	12	.019
Rhode Island	12	.056	Kentucky	12	.018
South Carolina	12	.010	Oklahoma	12	.018
South Dakota	5	.137	Florida	10	.017
Tennessee	12	.029	Virginia	12	.017
Texas	12	.040	Hawaii	8	.017
Utah	12	.048	Illinois	12	.012
Vermont	12	.049	Georgia	12	.010
Virginia	12	.017	South Carolina	12	.010
Washington	12	.121	District of Columbia	12	.006
West Virginia	12	.121			
Wisconsin	12	.091	Mississippi	11	.003
Wyoming	12	.053	Alabama	9	.001
Guam	(1)	.....	Missouri	(1)	.....
Puerto Rico	(1)	.....	Virgin Islands	(1)	.....
Virgin Islands	(1)	.....	Puerto Rico	(1)	.....
			Guam	(1)	.....
Total	12	.042			

[1] Not reported.

Source: Office of Research and Statistics, Social Security Administration, monthly report A-2.

Access to wage information for child support collection (section 9 of the bill)

Present law.—Under title IV–D of the Social Security Act, States are required to establish special child support agencies to establish paternity and obtain support for any child who is an applicant for or recipient of AFDC. These State agencies must also provide child support services to non-AFDC families, if they apply for child support services. HEW regulations require the State agencies to establish and to periodically review the amount of the support obligation, using the statutes and legal processes of the State.

Committee bill.—The committee bill would improve the capacity of the child support enforcement agency in the State to acquire accurate wage data by providing authority for States and localities to have access to earnings information in records maintained by the Social Security Administration and State employment security records. Such information would be obtained by a search of wage records conducted by the Social Security Administration or the employment security agency to identify the fact and amount of earnings and the identity of the employer in the case of individuals who were parents of the children for whom the child support agency was collecting or enforcing support. The Secretary of Health, Education, and Welfare would be authorized to establish necessary safeguards against improper disclosure of the information.

The committee bill specifically authorizes the Social Security Administration to disclose certain tax return information to State and local AFDC and child support agencies. The information may be used by them for purposes of determining AFDC eligibility and for purposes of the child support enforcement program, as described in the amendment.

Use of IRS to collect child support for non-AFDC families (section of the bill)

Present law.—Present law authorizes States to use the Federal income tax mechanism for collecting support payments for families receiving AFDC, if the State has made diligent and reasonable efforts to collect the payments without success and the amount sought is based on noncompliance with a court order for support. States have access to IRS collection procedures only after certification of the amount of the child support obligation by the Secretary of Health, Education, and Welfare, or his designee. There must also be an agreement that the State will reimburse the United States for any costs involved in making the collection. The Secretary of HEW, in consultation with the Secretary of Treasury, is authorized to establish by regulation criteria for accepting amounts for collection and for making certification, including imposing limitations on the frequency of making certifications.

This provision for using the IRS in child support collections has been used very sparingly by the States. It is, however, recognized as an integral part of the child support collection process which can be used after other efforts to collect delinquent child support payments have proved ineffective.

Committee bill.—The committee has been informed that a number of States believe their child support programs would be strengthened if the IRS collection procedures which are now available for collections in behalf of families receiving State AFDC were also available for families receiving State child support services but who have not applied for welfare payments. The committee bill would extend IRS's collection responsibilities to non-AFDC child support enforcement cases, subject to the same certification and other requirements that are now applicable in the case of families receiving AFDC.

Management information system (section 11 of the bill)

Present law.—There is increasing evidence that administration of State welfare programs could be significantly improved if States establish and use computerized information systems in the manage-

ment and operation of their programs. The committee has already approved, as part of H.R. 13511, an amendment to provide States with increased Federal matching for such systems for use in administering their AFDC programs. The amendment in H.R. 13511 would increase the rate of matching to 90 percent for the costs of developing and implementing AFDC systems and to 75 percent for the costs of operating them. These percentages correspond to the matching that is available to the States for use in their medicaid programs.

At the present time, States and localities that wish to establish and use computerized information systems in the management of their child support programs are eligible to receive 75 percent matching of their expenditures. This is the percentage matching which they receive for all costs of administering the child support program.

Committee bill.—The committee believes that States should be encouraged to develop and use management information systems for all programs in their welfare system in order to provide better management of their programs and to expedite coordination among programs and across jurisdictions. The committee believes that the child support program is an integral part of each State's welfare system and that improvements in its operation should also be encouraged. The committee bill therefore would provide an incentive to State child support enforcement agencies to develop new systems, to expand or enhance their existing systems, or to utilize model systems developed by HEW's Office of Child Support Enforcement by increasing the rate of matching to 90 percent for the costs of developing and implementing the systems. The cost of operating such systems would continue at the 75 percent matching rate.

Under the amendment, the Office of Child Support Enforcement, Department of Health, Education, and Welfare, would be required, on a continuing basis, to provide technical assistance to the States and would have to approve the State system as a condition of Federal matching. (Continuing review of the State systems would also be required.)

To qualify for HEW approval, the system would have to meet specific requirements, including capacity to account for child support collections and distributions; handle billing, monitoring and enforcement; provide management information; provide for cross-checking with AFDC records; handle interstate activity; provide necessary data for Federal statistical reporting requirements; and assure security against unauthorized access to or use of the data in the system.

Such approval would be based on the Secretary's finding that the initial and annually updated advanced automatic data processing document, which each State must have, will, when implemented, generally carry out the objectives of the management system. Such a document would provide for the conduct of and reflect the results of requirements analysis studies, contain a description of the proposed management system, indicate the security and interface requirements in the system, describe the projected and expected to be available resource requirements for staff and other needs, contain an implementation plan and backup procedures to handle possible failure, contain a summary of the system in terms of qualitative and quantitative benefits and provides such other information as the Secretary determines under regulation is necessary.

Reporting and matching procedures (section 12 of the bill)

Present law.—Present law requires that the Federal Office of Child Support Enforcement maintain adequate records for both AFDC and non-AFDC families of all amounts collected and disbursed and the costs incurred in collecting and disbursing these amounts and publish periodic reports on the operation of the program in the various States and localities and at national and regional levels. The Office of Child Support Enforcement must also submit an annual report to the Congress on all activities undertaken in the child support program as well as the major problems encountered at Federal, State, or local levels which have delayed or prevented implementation of the child support program.

Present law also provides that the State will maintain for both AFDC and non-AFDC families a full record of collections, disbursements, and expenditures and of all other activities related to its child support programs. An adequate reporting system is required. The committee is aware that some States are delinquent in their recordkeeping and reporting, and believe that his situation must be corrected.

Committee provision.—The committee has been concerned about the failure of some States to report and account for child support collections for AFDC and non-AFDC families on a reasonable, timely basis. The committee amendment thus would improve State reporting by prohibiting advance payment to the State of the Federal share of administrative expenses for a calendar quarter unless it has submitted a full and complete report of the amount of child support collected and disbursed for the calendar quarter which ended 6 months earlier. The amendment would also allow the Department of Health, Education, and Welfare to reduce the amount of the payments to the State by the Federal share of child support collections made but not reported by the State.

III. Budgetary Impact

In compliance with section 252(a) of the Legislative Reorganization Act of 1970 and section 403 of the Congressional Budget Act of 1974, the following statement is made concerning the budgetary impact of the bill.

The provisions of the bill relating to the social services program involve the operations of the program within the existing ceiling or within the expanded ceiling which may be provided under other legislation (the tax cut bill, H.R. 13511). Consequently it is not anticipated that these provisions will have any impact on budgetary costs. The provisions relating to the coordination of the tax credit and the direct grant reimbursement under title XX will have some revenue impact. Most of the revenue effect of the changes in the tax credit provisions are subsumed within the overall estimated costs of the modified tax credit provisions included in H.R. 13511, the tax-cut bill. The additional credit available under the provisions of this bill would be quite small—the committee believes that an estimated impact for fiscal year 1979 of less than $1 million would be reasonable. While it is impracticable to estimate with any degree of confidence the revenue impact in fiscal years after 1979, the committee believes there is potential for some growth and that it would be reasonable to expect

that the modifications to the credit in this bill could reach a level of $5 to $10 million within the next five years (over and above the revenue costs associated with the changes provided for in the tax-cut bill). The committee notes that the overall budgetary impact of such changes would be favorable because of offsetting savings in public assistance costs.

While the child support provisions in the bill would require some new outlays for matching funds related to the implementation of management information systems, the committee estimates that the provisions, taken together, will result in increased collections and an overall net savings for the program in fiscal year 1979 and each of the 4 succeeding fiscal years. At the time the report is being filed, the committee has not received a formal estimate of the costs of the bill from the Congressional Budget Office.

Inasmuch as the bill results in a net budgetary savings, the committee finds that it is consistent with the budgetary totals of the second concurrent budget resolution for fiscal year 1979 and with the committee's allocation report pursuant to that resolution (Senate Report 95–1270).

IV. Vote of the Committee To Report the Bill

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made about the vote of the committee to report the bill.

The bill was ordered reported by a voice vote.

V. Regulatory Impact

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the following statement is made about the regulatory impact of the bill.

Sections 1 through 5 of the committee bill are estimated to have negligible regulatory impact at most. They primarily continue existing law provisions which would otherwise expire or grant additional latitude to State social services agencies.

Section 6 of the bill adds an additional requirement of consultation with local officials in connection with the development of the title XX social services plan. This will involve some additional regulatory impact on State governments in that they will be required to show compliance with an additional factor. The provision will result in additional paperwork to the extent that States are required to receive and evaluate comments of local governments and to include a summary of the views expressed in their proposed planning documents.

Sections 7 and 8 do not involve regulatory impact.

Section 9 of the bill providing for access to wage information for purposes of the child support program simply conforms to the provisions already enacted making such information available for purposes of the aid to families with dependent children program. This will somewhat expand the number of instances in which requests for information are made and will to that extent expand the paperwork and privacy impact of existing law. Similarly, section 10 expands and will have similar regulatory impact to a provision of existing law which now applies only in the case of individuals receiving benefits under the aid to families with dependent children program.

Section 11 of the bill provides for additional matching for the development of computerized management information systems by State child support enforcement agencies. To the extent that States avail themselves of the added funding they will be required to complete certain application forms and to comply with regulations relating to the design and operations of their systems.

Section 12 of the bill imposes no new regulatory requirements but is simply an enforcement mechanism to assure compliance with existing requirements.

VI. Changes in Existing Law

In compliance with paragraph (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown below (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Social Security Act, as Amended

* * * * * * *

TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES

Part A—Aid to Families With Dependent Children

* * * * * * *

Payment to States

Sec. 403. (a) * * *

(b) The method of computing and paying such amounts shall be as follows:

(1) The Secretary of Health, Education, and Welfare shall, prior to the beginning of each quarter, estimate the amount to be paid to the State for such quarter under the provisions of subsection (a), such estimate to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarters, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, (B) records showing the number of dependent children in the State, and (C) such other investigation as the Secretary may find necessary.

(2) The Secretary of Health, Education, and Welfare shall then certify to the Secretary of the Treasury the amount so estimated by the Secretary of Health, Education, and Welfare, (A) reduced or increased, as the case may be, by any sum by which the Secretary of Health, Education, and Welfare finds that his estimate for any prior quarter was greater or less than the amount which

should have been paid to the State for such quarter, [and] (B) reduced by a sum equivalent to the pro rata share to which the United States is equitably entitled, as determined by the Secretary of Health, Education, and Welfare, of the net amount recovered during any prior quarter by the State or any political subdivision thereof with respect to aid to families with dependent children furnished under the State plan, *and (C) reduced by such amount as is necessary to provide the 'appropriate reimbursement of the Federal Government' that the State is required to make under section 457 out of that portion of child support collections retained by it pursuant to such section;* except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare for such prior quarter.

(3) The Secretary of the Treasury shall thereupon, through the Fiscal Service of the Treasury Department and prior to audit or settlement by the General Accounting Office, pay to the State, at the time or times fixed by the Secretary of Health, Education, and Welfare, the amount so certified.

* * * * * * *

Access to Wage Information

Sec. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information (*other than returns or return information as defined in section 6103 (b) of the Internal Revenue Code of 1954*) contained in the records of the Social Security Administration which is neceassry (as determined by the Secretary in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under this part, and which is specifically requested by such State or political subdivision for such purposes.

(b) The Secretary shall establish such safeguards as are necessary (as determined by the Secretary under regulations) to insure that information made available under the provisions of this section is used only for the purposes authorized by this section.

(c) *For disclosure of return information (as defined in section 6103 (b) of the Internal Revenue Code of 1954) contained in the records of the Social Security Administration for purposes described in paragraph (A), see section 6103(l)(7) of such Code.*

* * * * * * *

Part D—Child Support and Establishment of Paternity Appropriation

Sec. 451. For the purpose of enforcing the support obligations owed by absent parents to their children, locating absent parents, establishing paternity, and obtaining child support, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this part.

Duties of the Secretary

Sec. 452. (a) The Secretary shall establish, within the Department of Health, Education, and Welfare a separate organizational unit, under the direction of a designee of the Secretary, who shall report directly to the Secretary and who shall—

(1) establish such standards for State programs for locating absent parents, establishing paternity, and obtaining child support as he determines to be necessary to assure that such programs will be effective;

(2) establish minimum organizational and staffing requirements for State units engaged in carrying out such programs under plans approved under this part;

(3) review and approve State plans for such programs;

(4) evaluate the implementation of State programs established pursuant to such plan, conduct such audits of State programs established under the plan approved under this part as may be necessary to assure their conformity with the requirements of this part, and, not less often than annually, conduct a complete audit of the programs established under such plan in each State and determine for the purposes of the penalty provision of section 403(h) whether the actual operation of such programs in each State conforms to the requirements of this part;

(5) assist States in establishing adequate reporting procedures and maintain records of the operations of programs established pursuant to this part in each State;

(6) maintain records of all amounts collected and disbursed under programs established pursuant to the provisions of this part and of the costs incurred in collecting such amounts;

(7) provide technical assistance to the States to help them establish effective systems for collecting child support and establishing paternity;

(8) receive applications from States for permission to utilize the courts of the United States to enforce court orders for support against absent parents and, upon a finding that (A) another State has not undertaken to enforce the court order of the originating State against the absent parent within a reasonable time, and (B) that utilization of the Federal courts is the only reasonable method of enforcing such order, approve such applications;

(9) operate the Parent Locator Service established by section 453; and

(10) not later than three months after the end of each fiscal year, beginning with the year 1977, submit to the Congress a full and complete report on all activities undertaken pursuant to the provisions of this part, which report shall include, but not be limited to, the following:

(A) total program costs and collections set forth in sufficient detail to show the cost to the States and the Federal Government, the distribution of collections to families, State and local governmental units, and the Federal Government; and an identification of the financial impact of the provisions of this part;

(B) costs and staff associated with the Office of Child Support Enforcement;

(C) the number of child support cases in each State during each quarter of the fiscal year last ending before the report is submitted and during each quarter of the preceding fiscal year (including the transitional period beginning July 1, 1976, and ending September 30, 1976, in the case of the first report to which this subparagraph applies), and the disposition of such cases;

(D) the status of all State plans under this part as of the end of the fiscal year last ending before the report is submitted, together with an explanation of any problems which are delaying or preventing approval of State plans under this part;

(E) data, by State, on the use of the Federal Parent Locator Service, and the number of locate requests submitted without the absent parent's social security account number;

(F) the number of cases, by State, in which an applicant for or recipient of aid under a State plan approved under part A has refused to cooperate in identifying and locating the absent parent and the number of cases in which refusal so to cooperate is based on good cause (as determined in accordance with the standards referred to in section 402(a)(26)(B)(ii));

(G) data, by State, on the use of Federal courts and on use of the Internal Revenue Service for collections, the number of court orders on which collections were made, the number of paternity determinations made and the number of parents located, in sufficient detail to show the cost and benefits to the States and to the Federal Government; and

(H) the major problems encountered which have delayed or prevented implementation of the provisions of this part during the fiscal year last ending prior to the submission of such report.

(b) The Secretary shall, upon the request of any State having in effect a State plan approved under this part, certify the amount of any child support obligation assigned to such State to the Secretary of the Treasury for collection pursuant to the provisions of section 6305 of the Internal Revenue Code of 1954. No amount may be certified for collection under this subsection except the amount of the delinquency under a court order for support and upon a showing by the State that such State has made diligent and reasonable efforts to collect such amounts utilizing its own collection mechanisms, and upon an agreement that the State will reimburse the United States for any costs involved in making the collection. The Secretary after consultation with the Secretary of the Treasury may, by regulation, establish criteria for accepting amounts for collection and for making certification under this subsection including imposing such limitations on the frequency of making such certifications under this subsection.

(c)(1) There is hereby established in the Treasury a revolving fund which shall be available to the Secretary without fiscal year limitation, to enable him to pay to the States for distribution in accordance with the provisions of section 457 such amounts as may be collected and paid (subject to paragraph (2)) into such fund under section 6305 of the Internal Revenue Code of 1954.

(2) There is hereby appropriated to the fund, out of any moneys in the Treasury not otherwise appropriated, amounts equal to the amounts collected under section 6305 of the Internal Revenue Code of 1954, reduced by the amounts credited or refunded as overpayments of the amounts so collected. The amounts appropriated by the preceding section shall be transferred at least quarterly from the general fund of the Treasury to the fund on the basis of estimates made by the Secretary of the Treasury. Proper adjustments shall be made in the amounts subsequently transferred to the extent prior estimates were in excess of or less than the amounts required to be transferred.

(d)(1) The Secretary shall not approve the initial and annually updated advance automatic data processing planning document, referred to in section 454(16), unless he finds that such document, when implemented, will generally carry out the objectives of the management system referred to in such subsection, and such document—

(A) provides for the conduct of, and reflects the results of, requirements analysis studies, which include consideration of the program mission, functions, organization, services, constraints, and current support of, in, or relating to, such system,

(B) contains a description of the proposed management system referred to in section 455(a)(3), including a description of information flows, input data, and output reports and uses,

(C) sets forth the security and interface requirements to be employed in such management system,

(D) describes the projected resource requirements for staff and other needs, and the resources available or expected to be available to meet such requirements,

(E) contains an implementation plan and backup procedures to handle possible failures,

(F) contains a summary of proposed improvement of such management system in terms of qualitative and quantitative benefits, and

(G) provides such other information as the Secretary determines under regulation is necessary.

(2)(A) The Secretary shall through the separate organizational unit established pursuant to subsection (a), on a continuing basis, review, assess, and inspect the planning, design, an operation of, management information systems referred to in section 455(a)(3), with a view to determining whether, and to what extent, such systems meet and continue to meet requirements imposed under section 452(d)(1) and the conditions specified under section 454(16).

(B) If the Secretary finds with respect to any statewide management information system referred to in section 455(a)(3) that there is a failure substantially to comply with criteria, requirements, and other undertakings, prescribed by the advance automatic data processing planning document theretofore approved by the Secretary with respect to such system, then the Secretary shall suspend his approval of such document until there is no longer any such failure of such system to comply with such criteria, requirements, and other undertakings so prescribed.

(e) The Secretary shall provide such technical assistance to States as he determines necessary to assist States to plan, design, develop, or install and provide for the security of, the management information systems referred to in section 455(a)(3) of this Act.

Parent Locator Service

Sec. 453. (a) The Secretary shall establish and conduct a Parent Locator Service, under the direction of the designee of the Secretary referred to in section 452(a), which shall be used to obtain and transmit to any authorized person (as defined in subsection (c)) information as to the whereabouts of any absent parent when such information is to be used to locate such parent for the purpose of enforcing support obligations against such parent.

(b) Upon request, filed in accordance with subsection (d) of any authorized person (as defined in subsection (c)) for the most recent address and place of employment of any absent parent, the Secretary shall, notwithstanding any other provision of law, provide through the Parent Locator Service such information to such person, if such information—

(1) is contained in any files or records maintained by the Secretary or by the Department of Health, Education, and Welfare; or

(2) is not contained in such files or records, but can be obtained by the Secretary, under the authority conferred by subsection (e), from any other department, agency, or instrumentality, or the United States or of any State.

No information shall be disclosed to any person if the disclosure of such information would contravene the national policy or security interests of the United States or the confidentiality of census data. The Secretary shall give priority to requests made by any authorized person described in subsection (c)(1).

(c) As used in subsection (a), the term "authorized person" means—

(1) any agent or attorney of any State having in effect a plan approved under this part, who has the duty or authority under such plans to seek to recover any amounts owed as child support (including, when authorized under the State plan, any official of a political subdivision);

(2) the court which has authority to issue an order against an absent parent for the support and maintenance of a child, or any agent of such court; and

(3) the resident parent, legal guardian, attorney, or agent of a child (other than a child receiving aid under part A of this title) (as determined by regulations prescribed by the Secretary) without regard to the existence of a court order against an absent parent who has a duty to support and maintain any such child.

(d) A request for information under this section shall be filed in such manner and form as the Secretary shall by regulation prescribe and shall be accompanied or supported by such documents as the Secretary may determine to be necessary.

(e)(1) Whenever the Secretary receives a request submitted under subsection (b) which he is reasonably satisfied meets the criteria established by subsections (a), (b), and (c), he shall promptly undertake to provide the information requested from the files and records maintained by any of the departments, agencies, or instrumentalities of the United States or of any State.

(2) Notwithstanding any other provision of law, whenever the individual who is the head of any department, agency, or instrumentality of the United States receives a request from the Secretary for

information authorized to be provided by the Secretary under this section, such individual shall promptly cause a search to be made of the files and records maintained by such department, agency, or instrumentality with a view to determining whether the information requested is contained in any such files or records. If such search discloses the information requested, such individuals shall immediately transmit such information to the Secretary, except that if any information is obtained the disclosure of which would contravene national policy or security interests of the United States or the confidentiality of census data, such information shall not be transmitted and such individual shall immediately notify the Secretary. If such search fails to disclose the information requested, such individual shall immediately so notify the Secretary. The costs incurred by any such department, agency, or instrumentality of the United States or of any State in providing such information to the Secretary shall be reimbursed by him. Whenever such services are furnished to an individual specified in subsection (c)(3), a fee shall be charged such individual. The fee so charged shall be used to reimburse the Secretary or his delegate for the expense of providing such services.

(f) The Secretary, in carrying out his duties and functions under this section, shall enter into arrangements with State agencies administering State plans approved under this part for such State agencies to accept from resident parents, legal guardians, or agents of a child described in subsection (c)(3) and, after determining that the absent parent cannot be located through the procedures under the control of such State agencies, to transmit to the Secretary requests for information with regard to the whereabouts of absent parents and otherwise to cooperate with the Secretary in carrying out the purposes of this section.

State Plan for Child Support

Sec. 454. A State plan for child support must—

(1) provide that it shall be in effect in all political subdivisions of the State;

(2) provide for financial participation by the State;

(3) provide for the establishment or designation of a single and separate organizational unit, which meets such staffing and organizational requirements as the Secretary may by regulation prescribe, within the State to administer the plan;

(4) provide that such State will undertake—

(A) in the case of a child born out of wedlock with respect to whom an assignment under section 402(a)(26) of this title is effective, to establish the paternity of such child unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so, and

(B) in the case of any child with respect to whom such assignment is effective, to secure support for such child from his parent (or from any other person legally liable for such support), utilizing any reciprocal arrangements adopted with other States (unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant

to section 402(a)(26)(B) that it is against the best interests of the child to do so), except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support; [1]

(5) provide that, in any case in which child support payments are collected for a child with respect to whom an assignment under section 402(a)(26) is effective, such payments shall be made to the State for distribution pursuant to section 457 and shall not be paid directly to the family except that this paragraph shall not apply to such payments (except as provided in section 457(c)) for any month in which the amount collected is sufficient to make such family ineligible for assistance under the State plan approved under part A; [2]

(6) provide that (A) the child support collection or paternity determination services established under the plan shall be made available to any individual not otherwise eligible for such services upon application filed by such individual with the State, (B) an application fee for furnishing such services may be imposed, except that the amount of any such application fee shall be reasonable, as determined under regulations of the Secretary, and (C) any costs in excess of the fee so imposed may be collected from such individual by deducting such costs from the amount of any recovery made;

(7) provide for entering into cooperative arrangements with appropriate courts and law enforcement officials (A) to assist the agency administering the plan, including the entering into of financial arrangements with such courts and officials in order to assure optimum results under such program, and (B) with respect to any other matters of common concern to such courts or officials and the agency administering the plan;

(8) provide that the agency administering the plan will establish a service to locate absent parents utilizing—

(A) all sources of information and available records, and

(B) the Parent Locator Service in the Department of Health, Education, and Welfare; [3]

(9) provide that the State will, in accordance with standards prescribed by the Secretary, cooperate with any other State—

(A) in establishing paternity, if necessary,

(B) in locating an absent parent residing in the State (whether or not permanently) against whom any action is being taken under a program established under a plan approved under this part in another State,

(C) in securing compliance by an absent parent residing in such State (whether or not permanently) with an order issued by a court of competent jurisdiction against such parent for the support and maintenance of a child or children of such parent with respect to whom aid is being provided under the plan of such other State, and

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[1] Section 454(4) was amended by Public Law 94–88. See also section 203(b) of Public Law 94–88 (p. 766 of this document).

[2] See also sections 201(b) and 203(b) of Public Law 94–88 (pp. 765 and 766 of this document).

[3] See also section 6103(l)(6) of the I.R.C. (p. 671 of this document).

(D) in carrying out other functions required under a plan approved under this part;

(10) provide that the State will maintain a full record of collections and disbursements made under the plan and have an adequate reporting system;

(11) provide that amounts collected as child support shall be distributed as provided in section 457;

(12) provide that any payment required to be made under section 456 or 457 to a family shall be made to the resident parent, legal guardian, or caretaker relative having custody of or responsibility for the child or children;

(13) provide that the State will comply with such other requirements and standards as the Secretary determines to be necessary to the establishment of an effect program for locating absent parents, establishing paternity, obtaining support orders, and collecting support payments;

(14) comply with such bonding requirements, for employees who receive, disburse, handle, or have access to, cash, as the Secretary shall by regulations prescribe; [and]

(15) maintain methods of administration which are designed to assure that persons responsible for handling cash receipts shall not participate in accounting or operating functions which would permit them to conceal in the accounting records the misuse of cash receipts (except that the Secretary shall by regulations provide for exceptions to this requirement in the case of sparsely populated areas where the hiring of unreasonable additional staff would otherwise be necessary)[.]; *and*

(16) provide, at the option of the State, for the establishment and operation, in accordance with an (initial and annually updated) advance automatic data processing planning document approved under section 452(d), of an automatic data processing and information retrieval system described effectively and efficiently to assist management in the administration of the State plan, in the State and localities thereof, so as (A) to control, account for, and monitor (i) all the factors in the child support enforcement collection and paternity determination process under such plan (including, but not limited to, (I) identifiable correlation factors (such as social security numbers, names, dates of birth, home addresses and mailing addresses (including postal ZIP codes) of any individual with respect to whom child support obligations are sought to be established or enforced and with respect to any person to whom such support obligations are owing) to assure sufficient compatibility among the systems of different jurisdictions to permit periodic screening to determine whether such individual is paying or is obligated to pay child support in more than one jurisdiction, (II) check records of such individuals on a periodic basis with Federal, intra- and inter-State, and local agencies, (III) maintaining the data necessary to meet the Federal reporting requirements on a timely basis, and (IV) delinquency and enforcement activities), (ii) the collection and distribution of support payments (both intra- and inter-State), the determination, collection and distribution, of incentive payments both inter- and intra-State, and the maintenance of accounts receivable on all amounts owed, collected and distributed, and (iii) the costs of all services rendered, either directly or by interfacing with State

financial management and expenditure information, (B) to provide interface with records of the State's and to families with dependent children program in order to determine if a collection of a support payment causes a change affecting eligibility for or the amount of aid under such program, (C) to provide for security against unauthorized access to, or use of, the data in such system, and (D) to provide management information on all cases under the State plan from initial referral or application through collection and enforcement.

Payments to States

Sec. 455. (a) From the sums appropriated therefor, the Secretary shall pay to each State for each quarter, beginning with the quarter commencing July 1, 1975, an amount—

(1) equal to 75 percent of the total amounts expended by such State during such quarter for the operation of the plan approved under section 454, [and]

(2) equal to 50 percent of the total amounts expended by such State during such quarter for the operation of a plan which meets the conditions of section 454 except as is provided by a waiver by the Secretary which is granted pursuant to specific authority set forth in the law; *and*

(3) equal to 90 percent (rather than the percent specified in clause (1) or (2)) of so much of the sums expended during such quarter as are attributable to the planning, design, development, installation or enhancement of an automatic data processing and information retrieval system which the Secretary finds meets the requirements specified in section 454(16);

except that no amount shall be paid to any State on account of furnishing child support collection or paternity determination services (other than the parent locator services) to individuals under section 454(6) during any period beginning after September 30, 1978.

(b)(1) Prior to the beginning of each quarter, the Secretary shall estimate the amount to which a State will be entitled under subsection (a) for such quarter, such estimates to be based on (A) a report filed by the State containing its estimate of the total sum to be expended in such quarter in accordance with the provisions of such subsection, and stating the amount appropriated or made available by the State and its political subdivisions for such expenditures in such quarter, and if such amount is less than the State's proportionate share of the total sum of such estimated expenditures, the source or sources from which the difference is expected to be derived, and (B) such other investigation as the Secretary may find necessary.

(2)[The] *Subject to subsection (c), the* Secretary shall then pay, in such installments as he may determine, to the State the amount so estimated, reduced or increased to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

(3) Upon the making of any estimate by the Secretary under this subsection, any appropriations available for payments under this section shall be deemed obligated.

(c) Notwithstanding any other provision of law, no amount shall be paid to any State under this section for the quarter commencing April 1, 1979, or for any succeeding quarter, prior to the close of such quarter, unless for the period consisting of all prior quarters for which payment is authorized to be made to such State under subsection (a), there shall have been submitted by the State to the Secretary, with respect to each quarter in such period (other than the last two quarters in such period), a full and complete report (in such form and manner and containing such information as the Secretary shall prescribe or require) as to the amount of child support collected and disbursed and all expenditures with respect to which payment is authorized under subsection (a).

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Access to Wage Information

SEC. 463. (a) Notwithstanding any other provision of law, the Secretary shall make available to any State (or political subdivision thereof) wage information (other than returns or return information as defined in section 6103(b) of the Internal Revenue Code of 1954), including amounts earned, period for which it is reported, and name and address of employer, with respect to an individual, contained in the records of the Social Security Administration, which is necessary for purposes of establishing, determining the amount of, or enforcing, such individual's child support obligations which the State has undertaken to enforce pursuant to a State plan described in section 454 which has been approved by the Secretary under this part, and which information is specifically requested by such State or political subdivision for such purposes.

(b) The Secretary shall establish such safeguards as are necessary (as determined by the Secretary under regulations) to insure that information made available under the provisions of this section is used only for the purposes authorized by this section.

(c) For disclosure of return information (as defined in section 6103(b) of the Internal Revenue Code of 1954) contained in the records of the Social Security Administration for purposes described in paragraph (a). see section 6103(1)(7) of such Code.

TITLE XX—GRANTS TO STATES FOR SERVICES

* * * * * * *

Appropriation Authorized

Sec. 2001. For the purpose of encouraging each State, as far as practicable under the conditions in that State, to furnish services directed at the goal of—

(1) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

(2) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

(3) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating or reuniting families,

(4) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

(5) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions,

there is authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States under section 2002 (*and to territorial jurisdictions as described in subsection (a)(2)(C) thereof*).

Payments to States

Sec. 2002. (a)(1) From the sums appropriated therefore, the Secretary shall, subject to the provisions of this section and section 2003, pay to each State, for each quarter, an amount equal to 90 per centum of the total expenditures during that quarter for the provision of family planning services and 75 per centum of the total expenditures during that quarter for the provision of other services directed at the goal of—

(A) achieving or maintaining economic self-support to prevent, reduce, or eliminate dependency,

(B) achieving or maintaining self-sufficiency, including reduction or prevention of dependency,

(C) preventing or remedying neglect, abuse, or exploitation of children and adults unable to protect their own interests, or preserving, rehabilitating, or reuniting families,

(D) preventing or reducing inappropriate institutional care by providing for community-based care, home-based care, or other forms of less intensive care, or

(E) securing referral or admission for institutional care when other forms of care are not appropriate, or providing services to individuals in institutions,

including expenditures for administration (including planning and evaluation) and personnel training and retraining directly related to the provision of those services (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions). Services that are directed at these goals include, but are not limited to, child care services, protective services for children and adults, services for children and adults in foster care, services related to the management and maintenance of the home, day care services for adults, transportation services, training and related services, employment services, information, referral, and counseling services, the preparation and delivery of meals, health support services and appropriate combinations of services designed to meet the special needs of children, the aged, the mentally retarded, the blind, the emotionally disturbed, the physically handicapped, and alcoholics and drug addicts.

(2)(A) No payment with respect to any expenditures other than expenditures for personnel training or retraining directly related to the provision of services may be made under this section to any State for any fiscal year in excess of an amount which bears the same ratio to $2,500,000,000 (*reduced by the sum of the amounts made available for such fiscal year under subparagraph (C)*) as the population of that State bears to the population of the fifty States and the District of Columbia. The Secretary shall promulgate the limitation applicable

to each State for each fiscal year under this paragraph prior to the first day of the third month of the preceding fiscal year, as determined on the basis of the most recent satisfactory data available from the Department of Commerce.

(B) Each State with respect to which a limitation is promulgated under subparagraph (A) for any fiscal year shall, at the earliest practicable date after the commencement of such fiscal year (and in accordance with regulations prescribed by the Secretary), certify to the Secretary whether the amount of its limitation is greater or less than the amount needed by the State, for uses to which the limitation applies, for such fiscal year and, if so, the amount by which the amount of such limitation is greater or less than such need.

[(C) If any State certifies, in accordance with subparagraph (B), that the amount of its limitation for any fiscal year is greater than its need for such year, then the amount of the limitation of such State for such year, then the amount of the limitation amount over its need, and the amount of such reduction shall be available for allotiment as provided in subparagraph (D).

[(D) Of the amounts made available, pursuant to subparagraph (C), for allotment for any fiscal year, the Secretary (i) shall allot to the jurisdiction of Puerto Rico $15,000,000, to the jurisdiction of Guam $500,000, and to the jurisdiction of the Virgin Islands $500,000, which shall be availabe to each such jurisdiction in addition to amounts available under section 1108 for purposes of matching the expenditures of such jurisdictions for services pursuant to sections 3(a) (4) and (5), 403(a) (3), 1003(a) (3) and (4), 1403(a) (3) and (4), an 1603(a) (4) and (5): *Provided*, That if the amounts made available, pursuant to subparagraph (C), are insufficient to meet the requirements of this clause, then such amounts as are avilable shall be allotted to each of the three jurisdictions in proportion to their respective populations.]

(C) From the amounts made available under section 2001 for any fiscal year, the Secretary shall allot to the jurisdiction of Puerto Rico $15,000,-000, to the jurisdiction of Guam $500,000, to the jurisdiction of the Virgin Islands $500 000, and to the jurisdiction of the Northern Mariana Island $100,000, which shall be available to each such jurisdiction in addition to amounts available under section 1108 for purposes of matching the expenditures of such jurisdictions for services pursuant to sections 3(a) (4) and (5), 403(a) (3), 1003(a) (3) and (4), 1403(a) (3) and (4), and 1603(a) (4) and (5).

* * * * * * *

(11) No payment may be made under this section with respect to any expenditure for the provision of any service to any individual living in any hospital, skilled nursing facility, or intermediate care facility (including any such hospital or facility for mental diseases or for the mentally retarded), any prison, or any foster family home except—

(A) any expenditure for the provision of a service that (i) is provided by other than the hospital, facility, prison, or foster family home in which the individual is living, and (ii) is provided under the State's program for the provision of the services described in paragraph (1), to individuals who are not living in a hospital, skilled nursing facility, intermediate care facility, prison, or foster family home,

(B) any expenditure which is for the cost, in addition to the cost of basic foster care, of the provision, by a foster family home, to an individual living in that home, of a service which meets a special need of that individual, as determined under regulations prescribed by the Secretary,

(C) any expenditure for the provision of emergency shelter provided to a child, for not in excess of thirty days, as a protective service; [and]

(D) any expenditure for the initial detoxification of an alcoholic or drug dependent individual, for a period not to exceed 7 days, if such detoxification is integral to the further provision of services for which such individual would otherwise be eligible under this title[.]; *and*

(E) any expenditure for the provision of emergency shelter, for not in excess of thirty days in any six-month period, provided as a protective service to an adult in danger of physical or mental injury, neglect, maltreatment, or exploitation.

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Services Program Planning

Sec. 2004. (*a*) A State's services program planning meets the requirements of this section if, for the purpose of assuring public participation in the development of the program for the provision of the services described in section 2002(a)(1) within the State—

(1) the beginning of the fiscal year of either the Federal Government or the State government is established as the beginning of the State's services program year; and

(2) at least ninety days prior to the beginning of the State's services program year, the chief executive officer of the State, or such other official as the laws of the State provide, publishes and makes generally available (as defined in regulations prescribed by the Secretary after consideration of State laws governing notice of actions by public officials) to the public a proposed comprehensive annual services program plan prepared by the agency designated pursuant to the requirements of section 2003(d)(1)(C) and, unless the laws of the State provide otherwise, approved by the chief executive officer, which sets forth the State's plan for the provision of the services described in section 2002(a)(1) during that year, including—

(A) the objectives to be achieved under the program,

(B) the services to be provided under the program, including at least one service directed at at least one of the goals in each of the five categories of goals set forth in section 2002(a)(1) (as determined by the State) and including at least three types of services (selected by the State) for individuals who are recipients of supplemental security income benefits under title XVI and who are in need of such services, together with a definition of those services and a description of their relationship to the objectives to be achieved under the program and the goals described in section 2002(a)(1),

(C) the categories of individuals to whom those services are to be provided, including any categories based on the income of individuals or their families,

(D) the geographic areas in which those services are to be provided, and the nature and amount of the services to be provided in each area,

(E) a description of the planning, evaluation, and reporting activities to be carried out under the program,

(F) the sources of the resources to be used to carry out the program,

(G) a description of the organizational structure through which the program will be administered, including the extent to which public and private agencies and volunteers will be utilized in the provision of services,

(H) a description of how the provision of services under the program will be coordinated with the plan of the State approved under part A of title IV, the plan of the State developed under part B of that title, the supplemental security income program established by title XVI, the plan of the State approved under title XIX, and other programs for the provision of related human services within the State, including the steps taken to assure maximum feasible utilization of services under these programs to meet the needs of the low income population,

(I) the estimated expenditures under the program, including estimated expenditures with respect to each of the services to be provided, each of the categories of individuals to whom those services are to be provided, and each of the geographic areas in which those services are to be provided, and a comparison between estimated non-Federal expenditures under the program and non-Federal expenditures for the provision of the services described in section 2002(a)(1) in the State during the preceding services program year, [and]

(J) a description of the steps taken, or to be taken, to assure that the needs of all residents of, and all geographic areas in, the State were taken into account in the development of the plan[; and], *and*

(K) a description of the process of consultation that was followed in compliance with subsection (b) of this section; and a summary of the principal views expressed by the chief elected officials of the political subdivisions of the State in the course of that consultation; and

(3) public comment on the proposed plan is accepted for a period of at least forty-five days; and

(4) at least forty-five days after publication of the proposed plan and prior to the beginning of the State's services program year, the chief executive officer of the State, or such other official as the laws of the State provide, publishes a final comprehensive annual services program plan prepared by the agency designed pursuant to the requirements of section 2003(d)(1)(C) and, unless the laws of the State provide otherwise, approved by the chief executive officer, which sets forth the same information required to be included in the proposed plan, together with an explanation of the differences between the proposed and final plan and the reasons therefor; and

(5) any amendment to a final comprehensive services program plan is prepared by the agency designated pursuant to section 2003(d)(1)(C), approved by the chief executive officer of the

State unless the laws of the State provide otherwise, and published by the chief executive officer of the State, or such other official as the laws of the State provide, as a proposed amendment on which public comment is accepted for a period of at least thirty days, and then prepared by the agency designated pursuant to section 2003(d)(1)(C), approved by the chief executive officer of the State unless the laws of the State provide otherwise, and published by the chief executive officer of the State, or such other official as the laws of the State provide, as a final amendment, together with an explanation of the differences between the proposed and final amendment and the reasons therefor.

(b) A State's comprehensive services program planning does not meet the requirements of this section unless, prior to the publication of the proposed comprehensive services program plan in accordance with subsection (a), the State official designated under paragraph (2) of that subsection gives public notice of his intent to consult with the chief elected officials of the political subdivisions of the State in the development of that plan, and thereafter provides each such official with a reasonable opportunity to present his views prior to the publication of the plan.

* * * * * * *

Definitions

Sec. 2007. For the purpose of this title—

(1) the term "State supplementary payment" means any cash payment made by a State on a regular basis to an individual who is receiving supplemental security income benefits under title XVI or who would but for his income be eligible to receive such benefits, as assistance based on need in supplementation of such benefits, as determined by the Secretary[,and];

(2) the term "State" means the fifty States and the District of Columbia[.] *; and*

(3) the term "political subdivisions of the State" means those areas of the State that are subject to the jurisdiction of general purpose local governments.

* * * * * * *

SELECTED PROVISIONS OF THE INTERNAL REVENUE CODE OF 1954

26 U.S.C. 1—

Subtitle A—Income Taxes

CHAPTER 1—NORMAL TAXES AND SURTAXES

SUBCHAPTER A—DETERMINATION OF TAX LIABILITY

* * * * * * *

Part IV—Credits Against Tax

Subpart A—Credits Allowable

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Subpart C—Rules for Computing Credit for Expenses of Work Incentive Programs

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SEC. 50B. DEFINITIONS; SPECIAL RULES.

(a) WORK INCENTIVE PROGRAM EXPENSES.—

(1) IN GENERAL.—For purposes of this subpart, the term "work incentive program expenses" means the sum of—

(A) the amount of wages paid or incurred by the taxpayer for services rendered during the first 12 months of employment (whether or not consecutive) of employees who are certified by the Secretary of Labor as—

(i) having been placed in employment under a work incentive program established under section 432(b)(1) of the Social Security Act, and

(ii) not having displaced any individual from employment, plus

(B) the amount of Federal welfare recipient employment incentive expenses paid or incurred by the taxpayer for services rendered during the first 12 months of employment (whether of not consecutive).

(2) DEFINITIONS.—For purposes of this section, the term "Federal welfare recipient employment incentive expenses" means the amount of wages paid or incurred by the taxpayer for services rendered to the taxpayer by an eligible employee—

(A) before January 1, 1980, or

(B) in the case of an eligible employee whose services are performed in connection with a child day care services program of the taxpayer, before October 1, 1977.

(3) EXCLUSION.—No item taken into account under paragraph (1) (A) shall be taken into account under paragraph (1) (B). No item taken into account under paragraph (1) (B) shall be taken into account under paragraph 1(A).

(b) WAGES.—For purposes of subsection (a), the term "wages" means only cash remuneration (including amounts deducted and withheld).

(c) LIMITATIONS.—

(1) TRADE OF BUSINESS EXPENSES.—No item shall be taken into account under subsection (a) (1) (A) unless such item is incurred in a trade or business of the taxpayer.

(2) REIMBURSED EXPENSES.—No item shall be taken into account under subsection (a) to the extent that the taxpayer is reimbursed for such item.

(3) GEOGRAPHICAL LIMITATION.—No item shall be taken into account under subsection (a) with respect to any expense paid or incurred by the taxpayer with respect to employment outside the United States.

(4) MAXIMUM PERIOD OF TRAINING OR INSTRUCTION.—No item with respect to any employee shall be taken into account under subsection (a)(1)(A) after the end of the 24-month period beginning with the date of initial employment of such employee by the taxpayer.

(5) INELIGIBLE INDIVIDUALS.—No item shall be taken into account under subsection (a) with respect to an individual who—

(A) bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to the taxpayer, or, if the taxpayer is a corporation, to an individual who owns, directly or indirectly, more than 50 percent in value of the

outstanding stock of the corporation (determined with the application of section 267(c)),

(B) if the taxpayer is an estate or trust, is a grantor, beneficiary, or fiduciary of the estate or trust, or is an individual who bears any of the relationships described in paragraphs (1) through (8) of section 152(a) to a grantor, beneficiary, or fiduciary of the estate or trust, or

(C) is a dependent (described in section 152(a)(9)) of the taxpayer, or, if the taxpayer is a corporation, of an individual described in subparagraph (A), or, if the taxpayer is an estate or trust, of a grantor, beneficiary, or fiduciary of the estate or trust.

(d) SUBCHAPTER S CORPORATIONS.—In case of an electing small business corporation (as defined in section 1371)—

(1) the work incentive program expenses for each taxable year shall be apportioned pro rata among the persons who are shareholders of such corporation on the last day of such taxable year, and

(2) any person to whom any expenses have been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expenses.

(e) ESTATES AND TRUSTS.—In the case of an estate or trust—

(1) the work incentive program expenses for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of the income of the estate or trust allocable to each,

(2) any beneficiary to whom any expenses have been apportioned under paragraph (1) shall be treated (for purposes of this subpart) as the taxpayer with respect to such expenses, and

(3) the $50,000 amount specified under subparagraphs (A) and (B) of section 50A(a)(2) applicable to such estate or trust shall be reduced to an amount which bears the same ratio to $50,000 as the amount of the expenses allocated to the trust under paragraph (1) bears to the entire amount of such expenses.

(f) LIMITATIONS WITH RESPECT TO CERTAIN PERSONS.—In the case of—

(1) an organization to which section 593 applies,

(2) a regulated investment company or a real estate investment trust subject to taxation under subchapter M (section 851 and following), and

(3) a cooperative organization described in section 1381(a),

rules similar to the rules provided in section 46(e) shall apply under regulations prescribed by the Secretary.

(g) ELIGIBLE EMPLOYEE.—

(1) ELIGIBLE EMPLOYEE.—For purposes of subsection (a)(1)(B), the term "eligible employee" means an individual—

(A) who has been certified by the Secretary of Labor or by the appropriate agency of State or local government as being eligible for financial assistance under part A of title IV of the Social Security Act and as having continuously received such financial assistance during the 90 day period which immediately precedes the date on which such individual is hired by the taxpayer,

(B) who has been employed by the taxpayer for a period in excess of 30 consecutive days on a substantially full-time basis,

(C) who has not displaced any other individual from employment by the taxpayer, and

(D) who is not a migrant worker.

The term "eligible employee" includes an employee of the taxpayer whose services are not performed in connection with a trade or business of the taxpayer.

(2) MIGRANT WORKER.—For purposes of paragraph (1), the term "migrant worker" means an individual who is employed for services for which the customary period of employment by one employer is less than 30 days if the nature of such services requires that such individual travel from place to place over a short period of time.

(h) CROSS REFERENCE.—

For application of this subpart to certain acquiring corporations, see section 381(c)(24).

( ) *SPECIAL RULES WITH RESPECT TO EMPLOYMENT OF DAY CARE WORKERS.—*

(1) ELIGIBLE EMPLOYEE.—An individual who would be an "eligible employee" (as that term is defined for purposes of this section) except for the fact that such individual's employment is not on a substantially full-time basis, shall be deemed to be an eligible employee as so defined, if such employee's employment consists of services performed in connection with a child day care program of the taxpayer, on either a full-time or part-time basis.

(2) ALTERNATIVE LIMITATION WITH RESPECT TO CHILD DAY CARE SERVICES ELIGIBLE EMPLOYEES.—If, under the preceding provisions of this section, the amount of the credit allowed a taxpayer with respect to Federal welfare recipient employment incentive expenses paid or incurred by him to an eligible employee whose services are performed in connection with a child day care services program, conducted by the taxpayer, is less than $1,000, there shall, at the election of the taxpayer, be included (in computing the amount of such expenses so paid or incurred by him) any amounts for which he was reimbursed from funds made available pursuant to section 3(c) of Public Law 94-401, except that, if the amount of such credit, as so computed, is greater than $1,000 it shall be reduced to $1,000.

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Subtitle C—Employment Taxes

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CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

* * * * * * *

SEC. 3304. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.—The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

(1) all compensation is to be paid through public employment offices or such other agencies as the Secretary of Labor may approve;

(2) no compensation shall be payable with respect to any day of unemployment occurring within 2 years after the first day of the first period with respect to which contributions are required;

(3) all money received in the unemployment fund shall (except for refunds of sums erroneously paid into such fund and except for refunds paid in accordance with the provisions of section 3305(b)) immediately upon such receipt be paid over to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904 of the social Security Act (42 U.S.C. 1104);

(4) all money withdrawn from the unemployment fund of the State shall be used solely in the payment of unemployment compensation, exclusive of expenses of administration, and for refunds of sums erroneously paid into such fund and refunds paid in accordance with the provisions of section 3305(b); except that—

(A) an amount equal to the amount of employee payments into the unemployment fund of a State may be used in the payment of cash benefits to individuals with respect to their disability, exclusive of expenses of administration; and

(B) the amounts specified by section 903(c)(2) of the Social Security Act may, subject to the conditions prescribed in such section, be used for expenses incurred by the State for administration of its unemployment compensation law and public employment offices;

(5) compensation shall not be denied in such State to any otherwise eligible individual for refusing to accept new work under any of the following conditions:

(A) if the position offered is vacant due directly to a strike, lockout, or other labor dispute;

(B) if the wages, hours, or other conditions of the work offered are substantially less favorable to the individual than those prevailing for similar work in the locality;

(C) if as a condition of being employed the individual would be required to join a company union or to resign from or refrain from joining any bona fide labor organization;

(6)(A) compensation is payable on the basis of service to which section 3309(a)(1) applies, in the same amount, on the same terms, and subject to the same conditions as compensation payable on the basis of other service subject to such law;

except that—

(i) with respect to services in an instructional, research, or principal administrative capacity for an educational institution to which section 3309(a)(1) applies, compensation shall not be payable based on such services for any week commencing during the period between two successive academic years or terms (or, when an agreement provides instead for a similar period between two regular but not successive terms, during such period) to any individual if such individual performs such services in the first of such academic years (or

terms) and if there is a contract or reasonable assurance that such individual will perform services in any such capacity for any educational institution in the second of such academic years or terms,

(ii) with respect to services in any other capacity for an educational institution (other than an institution of higher education) to which section 3309(a)(1) applies, compensation payable on the basis of such services may be denied to any individual for any week which commences during a period between two successive academic years or terms if such individual performs such services in the first of such academic years or terms and there is a reasonable assurance that such individual will perform such services in the second of such academic years or terms,

(iii) with respect to any services described in clause (i) or (ii), compensation payable on the basis of such services may be denied to any individual for any week which commences during an established and customary vacation period or holiday recess if such individual performs such services in the period immediately before such vacation period or holiday recess, and there is a reasonable assurance that such individual will perform such services in the period immediately following such vacation period or holiday recess,

(iv) with respect to any services described in clause (i) or (ii), compensation payable on the basis of services in any such capacity may be denied as specified in clauses (i), (ii), and (iii) to any individual who performed such services in an educational institution while in the employ of an educational service agency, and for this purpose the term "educational service agency" means a governmental agency or governmental entity which is established and operated exclusively for the purpose of providing such services to one or more educational institutions, and

(B) payments (in lieu of contributions) with respect to service to which section 3309(a)(1) applies may be made into the State unemployment fund on the basis set forth in section 3309(a)(2);

(7) an individual who has received compensation during his benefit year is required to have had work since the beginning of such year in order to qualify for compensation in his next benefit year;

(8) compensation shall not be denied to an individual for any week because he is in training with the approval of the State agency (or because of the application, to any such week in training, of State law provisions relating to availability for work, active search for work, or refusal to accept work);

(9)(A) compensation shall not be denied or reduced to an individual solely because he files a claim in another State (or a contiguous country with which the United States has an agreement with respect to unemployment compensation) or because he resides in another State (or such a contiguous country) at the time he files a claim for unemployment compensation;

(B) the State shall participate in any arrangements for the payment of compensation on the basis of combining an individual's wages and employment covered under the State law with his

wages and employment covered under the unemployment compensation law of other States which are approved by the Secretary of Labor in consultation with the State unemployment compensation agencies as reasonably calculated to assure the prompt and full payment of compensation in such situations. Any such arrangement shall include provisions for (i) applying the base period of a single State law to a claim involving the combining of an individual's wages and employment covered under two or more State laws, and (ii) avoiding duplicate use of wages and employment by reason of such combining;

(10) compensation shall not be denied to any individual by reason of cancellation of wage credits or total reduction of his benefit rights for any cause other than discharge for misconduct connected with his work, fraud in connection with a claim for compensation, or receipt of disqualifying income;

(11) extended compensation shall be payable as provided by the Federal-State Extended Unemployment Compensation Act of 1970.

(12) no person shall be denied compensation under such State law solely on the basis of pregnancy or termination of pregnancy:

(13) compensation shall not be payable to any individual on the basis of any services, substantially all of which consist of participating in sports or athletic events or training or preparing to so participate, for any week which commences during the period between two successive sport seasons (or similar periods) if such individual performed such services in the first of such seasons (or similar periods) and there is a reasonable assurance that such individual will perform such services in the later of such seasons (or similar periods);

(14)(A) compensation shall not be payable on the basis of services performed by an alien unless such alien is an individual who was lawfully admitted for permanent residence at the time such services were performed, was lawfully present for purposes of performing such services, or was permanently residing in the United States under color of law at the time such services were performed (including an alien who was lawfully present in the United States as a result of the application of the provisions of section 203(a)(7) or section 212(d)(5) of the Immigration and Nationality Act),

(B) any data or information required of individuals applying for compensation to determine whether compensation is not payable to them because of their alien status shall be uniformly required from all applicants for compensation, and

(C) in the case of an individual whose application for compensation would otherwise be approved, no determination by the State agency that compensation to such individual is not payable because of his alien status shall be made except upon a preponderance of the evidence;

(15) the amount of compensation payble to an individual for any week which begins after March 31, 1980, and which begins in a period with respect to which such individual is receiving a governmental or other pension, retirement or retired pay, annuity, or any other similar periodic payment which is based on the previous work of such individual shall be reduced (but not below

zero) by an amount equal to the amount of such pension, retirement or retired pay, annuity, or other payment, which is reasonably attributable to such week;

(16)(A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof when such information is specifically requested by such State or political subdivision for such purposes, and

(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to insure that such information is used only for the purposes authorized under subparagraph (A);

(17)(A) wage and other relevant information (including amounts earned, period for which reported, and name and address of employer), with respect to an individual, contained in the records of the agency administering the State law which is necessary (as jointly determined by the Secretary of Labor and the Secretary of Health, Education, and Welfare in regulations) for purposes of establishing, determining the amount of, or enforcing, such individual's child support obligations which the State has undertaken to enforce pursuant to a State plan described in section 454 of the Social Security Act which has been approved by such Secretary under part D of title IV of such Act, and which information is specifically requested by such State or political subdivision for such purposes, and

[(17)] *(18)* all the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.

(b) NOTIFICATION.—The Secretary of Labor shall, upon approving such law, notify the governor of the State of his approval.

(c) CERTIFICATION.—On October 31 of each taxable year the Secretary of Labor shall certify to the Secretary of the Treasury each State whose law he has previously approved, except that he shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has amended its law so that it no longer contains the provisions specified in subsection (a) or has with respect to the 12-month period ending on such October 31 failed to comply substantially with any such provision in such subsection. No finding of a failure to comply substantially with any provision in paragraph (5) of subsection (a) shall be based on an application or interpretation of State law (1) until all administrative review provided for under the laws of the State has been exhausted, or (2) with respect to which the time for judicial review provided by the laws of the State has not expired, or (3) with respect to which any judicial review is pending. On October 31 of any taxable year after 1971, the Secretary of Labor shall not certify any State which, after reasonable notice and opportunity for hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains each of the provisions required by reason of the enactment of the

Employment Security Amendments of 1970 to be included therein, or has with respect to the 12-month period ending on such October 31, failed to comply substantially with any such provision. On October 31 of any taxable year after 1977, the Secretary shall not certify any State which, after reasonable notice and opportunity for a hearing to the State agency, the Secretary of Labor finds has failed to amend its law so that it contains each of the provisions required by reason of the enactment of the Unemployment Compensation Amendments of 1976 to be included therein, or has with respect to the 12-month period ending on such October 31, failed to comply substantially with any such provision.

(d) NOTICE OF NONCERTIFICATION.—If at any time the Secretary of Labor has reason to believe that a State whose law he has previously approved may not be certified under subsection (c), he shall promptly so notify the governor of such State.

(e) CHANGE OF LAW DURING 12-MONTH PERIOD.—Whenever—

(1) any provision of this section, section 3302, or section 3303 refers to a 12-month period ending on October 31 of a year, and

(2) the law applicable to one portion of such period differs from the law applicable to another portion of such period, then such provision shall be applied by taking into account for each such portion the law applicable to such portion.

(f) DEFINITION OF INSTITUTION OF HIGHER EDUCATION.—For purposes of subsection (a) (6), the term "institution of higher education" means an educational institution in any State which—

(1) admits as regular students only individuals having a certificate of graduation from a high school, or the recognized equivalent of such a certificate;

(2) is legally authorized within such State to provide a program of education beyond high school;

(3) provides an educational program for it which awards a bachelor's or higher degree, or provides a program which is acceptable for full credit toward such a degree, or offers a program of training to prepare students for gainful employment in a recognized occupation; and

(4) is a public or other nonprofit institution.

Subtitle F—Procedure and Administration

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CHAPTER 61—INFORMATION AND RETURNS

* * * * * * *

SEC. 6103. CONFIDENTIALITY AND DISCLOSURE OF RETURNS AND RETURN INFORMATION.

(a) GENERAL RULE.—Returns and return information shall be confidential, and except as authorized by this title—

(1) no officer or employee of the United States,

(2) no officer or employee of any [State or of any local child support enforcement agency] *State, any local child support enforcement agency, or any local welfare agency* who has or had access to returns or return information under this section, and

(3) no other person (or officer or employee thereof) who has or had access to returns or return information under subsection (e)(1)(D)(iii) or subsection (n),

shall disclose any return or return information obtained by him in any manner in connection with his service as such an officer or an employee or otherwise or under the provisions of this section. For purposes of this subsection, the term "officer or employee" includes a former officer or employee.

* * * * * * *

(l) DISCLOSURE OF RETURNS AND RETURN INFORMATION FOR PURPOSES OTHER THAN TAX ADMINISTRATION.—

(1) DISCLOSURE OF CERTAIN RETURNS AND RETURN INFORMATION TO SOCIAL SECURITY ADMINISTRATION AND RAILROAD RETIREMENT BOARD.—The Secretary may, upon written request, disclose returns and return information with respect to—

(A) taxes imposed by chapters 2, 21, and 24, to the Social Security Administration for purposes of its administration of the Social Security Act;

(B) a plan to which part I of subchapter D of chapter 1 applies, to the Social Security Administration for purposes of carrying out its responsibility under section 1131 of the Social Security Act, limited, however to return information described in section 6057(d); and

(C) taxes imposed by chapter 22, to the Railroad Retirement Board for purposes of its administration of the Railroad Retirement Act.

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(5) DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE.—Upon written request by the Secretary of Health, Education, and Welfare, the Secretary may disclose information returns filed pursuant to part III of subchapter A of chapter 61 of this subtitle for the purpose of carrying out, in accordance with an agreement entered into pursuant to section 232 of the Social Security Act, an effective return processing program.

(6) DISCLOSURE OF RETURN INFORMATION TO FEDERAL, STATE, AND LOCAL CHILD SUPPORT ENFORCEMENT AGENCIES.—

(A) RETURN INFORMATION FROM INTERNAL REVENUE SERVICE.—The Secretary may, upon written request, disclose to the appropriate Federal, State, or local child support enforcement agency—

(i) available return information from the master files of the Internal Revenue Service relating to the address, filing status, amounts and nature of income, and the number of dependents reported on any return filed by, or with respect to, any individual with respect to whom child support obligations are sought to be established or enforced pursuant to the provisions of part D of title IV of the Social Security Act and with respect to any individual to whom such support obligations are owing, and

(ii) available return information reflected on any return filed by, or with respect to, any individual

described in clause (i) relating to the amount of such individual's gross income (as defined in section 61) or consisting of the names and addresses of payors of such income and the names of any dependents reported on such return, but only if such return information is not reasonably available from any other source.

(B) RESTRICTION ON DISCLOSURE.—The Secretary shall disclose return information under subparagraph (A) only for purposes of, and to the extent necessary in, establishing and collecting child support obligations from, and locating, individuals owing such obligations.

(7) Disclosure of Certain Return Information to Department of Health, Education, and Welfare and to State and Local Welfare Agencies.—

(A) Disclosure by Social Security Administration to Department of Health, Education, and Welfare.—Officers and employees of the Social Security Administration may, upon request, disclose return information with respect to net earnings from self-employment (as defined in section 1402(a)) and wages (as defined in section 3121(a), or 3401(a)), which has been disclosed to them as provided by paragraph (1)(A) of this subsection, to other officers and employees of the Department of Health, Education, and Welfare for a necessary purpose described in section 411(a) or 463(a) of the Social Security Act.

(B) Disclosure by Social Security Administration directly to State and local agencies.—Officers and employees of the Social Security Administration may, upon written request, disclose return information with respect to net earnings from self-employment (as defined in section 1402(a) and wages (as defined in section 3121(a), or 3401(a)), which has been disclosed to them as provided by paragraph (1)(A) of this subsection, directly to officers and employees of an appropriate State or local agency, body, or commission for a necessary purpose described in section 411(a) or 463(a) of the Social Security Act.

(C) Disclosure by agency administering State unemployment compensation laws.—Officers and employees of a State agency, body, or commission which is charged under the laws of such State with the responsibility for the administration of State unemployment compensation laws approved by the Secretary of Labor as provided by section 3304 may, upon written request, disclose return information with respect to wages (as defined in section 3306(b)) which has been disclosed to them as provided by this title directly to officers and employees of an appropriate State or local agency, body, or commission for a necessary purpose described in section 3304(a) (16) or (17).

* * * * * * *

[(n) CERTAIN OTHER PERSONS.—Pursuant to regulations prescribed by the Secretary, returns and return information may be disclosed to any person, including any person described in section 7513(a), to the extent necessary in connection with the processing, storage, transmission, and reproduction of such returns and return information, and the programming, maintenance, repair, testing, and procurement of equipment, for purposes of tax administration.]

(n) CERTAIN OTHER PERSONS.—Pursuant to regulations prescribed by the Secretary—

(1) returns and return information may be disclosed to any person, including any person described in section 7513(a), to the extent necessary in connection with the processing, storage, transmission, and reproduction of such returns and return information, and the programming, maintenance, repair, testing, and procurement of equipment, for purposes of tax administration, and

(2) return information disclosed to officers or employees of a State or local agency, body, or commission as provided in subsection (l)(7) may be disclosed by such officers or employees to any person to the extent necessary in connection with the processing and utilization of such return information for a necessary purpose described in section 411(a) or 463(a) of the Social Security Act.

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(p) Procedure and Recordkeeping.—

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(3) Records of inspection and disclosure.—

(A) System of recordkeeping.—Except as otherwise provided by this paragraph, the Secretary shall maintain a permanent system of standardized records or accountings of all requests for inspection or disclosure of returns and return information (including the reasons for and dates of such requests) and of returns and return information inspected or disclosed under this section. Notwithstanding the provisions of section 552a(c) of title 5, United States Code, the Secretary shall not be required to maintain a record or accounting of requests for inspection or disclosure of returns and return information, or of returns and return information inspected or disclosed, under the authority of subsections (c), (e), (h)(1), (3)(A), or (4), (i)(4) or (6)(A)(iii), (k) (1), (2), or (6), [(l)(1) or (4)(B) or (5),] *(l)(1), (4)(B), (5), or (7)*, (m), or (n). The records or accountings required to be maintained under this paragraph shall be available for examination by the Joint Committee on Taxation or the Chief of Staff of such joint committee. Such record or accounting shall also be available for examination by such person or persons as may be, but only to the extent, authorized to make such examination under section 552a(c)(3) of title 5, United States Code.

(B) Report by the Secretary.—The Secretary shall, within 90 days after the close of each calendar year, furnish to the Joint Committee on Taxation a report with respect to, or summary of, the records or accountings described in subparagraph (A) in such form and containing such information as such joint committee or the Chief of Staff of such joint committee may designate. Such report or summary shall not, however, include a record or accounting of any request by the President under subsection (g) for, or the disclosure in response to such request of, any return or return information with respect to any individual who, at the time of such request, was an officer or employee of the

executive branch of the Federal Government. Such report or summary, or any part thereof, may be disclosed by such joint committee to such persons and for such purposes as the joint committee may, by record vote of a majority of the members of the joint committee, determine.

(C) Public report on disclosures.—The Secretary shall, within 90 days after the close of each calendar year, furnish to the Joint Committee on Taxation for disclosure to the public a report with respect to the records or accountings described in subparagraph (A) which—

(i) provides with respect to each Federal agency, each agency, body, or commission described in subsection (d) or (l) (3) or (6), and the General Accounting Office the number of—

(I) requests for disclosure of returns and return information,

(II) instances in which returns and return information were disclosed pursuant to such requests,

(III) taxpayers whose returns, or return information with respect to whom, were disclosed pursuant to such requests, and

(ii) describes the general purposes for which such requests were made.

* * * * * * *

(4) SAFEGUARDS.—Any Federal agency described in subsection (h)(2), (i)(1), (2) or (5), (j)(1) or (2), (l)(1), (2), or (5), or (o)(1), the General Accounting Office, or any agency, body, or commission described in subsection (d) or (l) (3) [or] (6), *or (7)* shall, as a condition for receiving returns or return information—

(A) establish and maintain, to the satisfaction of the Secretary, a permanent system of standardized records with respect to any request, the reason for such request, and the date of such request made by or of it and any disclosure of return or return information made by or to it;

(B) establish and maintain, to the satisfaction of the Secretary, a secure area or place in which such returns or return information shall be stored;

(C) restrict, to the satisfaction of the Secretary, access to the returns or return information only to persons whose duties or responsibilities require access and to whom disclosure may be made under the provisions of this title;

(D) provide such other safeguards which the Secretary determines (and which he prescribes in regulations) to be necessary or appropriate to protect the confidentiality of the returns or return information;

(E) furnish a report to the Secretary, at such time and containing such information as the Secretary may prescribe, which describes the procedures established and utilized by such agency, body, or commission or the General Accounting Office for ensuring the confidentiality of returns and return information required by this paragraph; and

(F) upon completion of use of such returns or return information—

(i) in the case of an agency, body, or commission described in subsection (d) or (l) (6) *or* (7), return to the Secretary such returns or return information (along with any copies made therefrom) or make such returns or return information undisclosable in any manner and furnish a written report to the Secretary describing such manner; and

(ii) in the case of an agency described in subsections (h) (2), (i) (1), (2), or (5), (j) (1) or (2), (l) (1), (2), or (5), or (o) (1), the commission described in subsection (l) (3), or the General Accounting Office, either—

(I) return to the Secretary such returns or return information (along with any copies made therefrom),

(II) otherwise make such returns or return information undisclosable, or

(III) to the extent not so returned or made undisclosable, ensure that the conditions of subparagraphs (A), (B), (C), (D), and (E) of this paragraph continue to be met with respect to such returns or return information.

except that the conditions of subparagraphs (A), (B), (C), (D), and (E) shall cease to apply with respect to any return or return information if, and to the extent that, such return or return information is disclosed in the course of any judicial or administrative proceeding and made a part of the public record thereof. If the Secretary determines that any such agency, body, or commission or the General Accounting Office has failed to, or does not, meet the requirements of this paragraph, he may, after any proceedings for review established under paragraph (7), take such actions as are necessary to ensure such requirements are met, including refusing to disclose returns or return information to such agency, body, or commission or the General Accounting Office until he determines that such requirements have been or will be met.

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CHAPTER 75—CRIMES, OTHER OFFENSES, AND FORFEITURES

SEC. 7213. UNAUTHORIZED DISCLOSURE OF INFORMATION.

(a) RETURNS AND RETURN INFORMATION.—

(1) FEDERAL EMPLOYEES AND OTHER PERSONS.—It shall be unlawful for any officer or employee of the United States or any person described in section 6103(n) (or an officer or employee of any such person), or any former officer or employee, to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)). Any violation of this paragraph shall be a felony punishable upon conviction by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution, and if such offense is committed by any officer or employee of the United States, he shall, in addition to any other punishment, be dismissed from office or discharged from employment upon conviction of such offense.

(2) STATE AND OTHER EMPLOYEES.—It shall be unlawful for any officer, employee, or agent, or former officer, employee, or agent, of any State (as defined in section 6103(b)(5)) or any local child support enforcement agency to disclose to any person, except as authorized in this title, any return or return information (as defined in section 6103(b)) acquired by him or another person under section 6103(d) of (*l*)(6). Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(3) OTHER PERSONS.—It shall be unlawful for any person to whom any return or return information (as defined in section 6103(b)) is disclosed in a manner unauthorized by this title to thereafter print or publish in any manner not provided by law any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(4) SOLICITATION.—It shall be unlawful for any person to offer any item of material value in exchange for any return or return information (as defined in section 6103(b)) and to receive as a result of such solicitation any such return or return information. Any violation of this paragraph shall be a felony punishable by a fine in any amount not exceeding $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(5) SHAREHOLDERS.—It shall be unlawful for any person to whom a return or return information (as defined in section 6103(b) is disclosed pursuant to the provisions of section 6103(e)(1)(D)(iii) to disclose such return or return information in any manner not provided by law. Any violation of this paragraph shall be a felony punishable by a fine in any amount not to exceed $5,000, or imprisonment of not more than 5 years, or both, together with the costs of prosecution.

(b) DISCLOSURE OF OPERATIONS OF MANUFACTURER OR PRODUCER.—[Any officer or employee of the United States who divulges or makes known in any manner whatever not provided by law to any person the operations, style of work, or apparatus of any manufacturer or producer visited by him in the discharge of his official duties shall be guilty of a misdemeanor and, upon conviction thereof, shall be fined not more than $1,000, or imprisoned not more than 1 year, or both, together with the costs or prosecution; and the offender shall be dismissed from office or discharged from employment.] *It shall be unlawful for any officer, employee, or agent, or former officer, employee, or agent, of any State (as defined in section 6103(b)(5)), any local child support enforcement agency, or any local welfare agency to disclose to any person, except as authorized by this title, any return or return information (as defined in section 6103(b)) acquired by him or another person under section 6103 (d) or (l) (6) or (7).*

(c) [Repealed].

(c) DISCLOSURES BY CERTAIN DELEGATES OF SECRETARY.—All provisions of law relating to the disclosure of information, and all provisions of law relating to penalties for unauthorized disclosure of information, which are applicable in respect of any function under this title when performed by an officer or employee of the Treasury De-

partment are likewise applicable in respect of such function when performed by any person who is a "delegate" within the meaning of section 7701(a)(12)(B).

(d) CROSS REFERENCES.—

(1) Penalties for disclosure of information by preparers of returns.—For penalty for disclosure or use of information by preparers of returns, see section 7216.

(2) Penalties for disclosure of confidential information.—For penalties for disclosure of confidential information by any officer or employee of the United States or any department or agency thereof, see 18 U.S.C. 1905.

Excerpt From Public Law 93–647

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Sec. 7. (a)(1) * * *

(2) Notwithstanding the provisions of section 2004 of the Social Security Act, as amended by this Act, the first services program year of each State shall begin on October 1, 1975, and end with the close of, at the option of the State—

(A) the day in the twelve-month period beginning October 1, 1975, or

(B) the day in the twelve-month period beginning October 1, 1976,

which is the last day of the twelve-month period, established by the State as it services program year under that section. Notwithstanding the provisions of subsection (b) of section 2003 of the Social Security Act, as amended by this Act, the aggregate expenditures required by that subsection with respect to the first services program year of each State shall be the amount which bears the same ratio to the amount that would otherwise be required under that subsection as the number of months in the State's first services program year bears to twelve.

(3) Notwithstanding paragraph (1) of this subsection or section 3(f), payments under title IV or section 2002(a)(1) of the Social Security Act with respect to expenditures made prior to October 1, [1978,] *1979*, in connection with the provision of child day care services in day care centers and group day care homes, in the case of children between the ages of six weeks and six years, may be made without regard to the requirements relating to staffing standards which are imposed by or under section 2002(a)(9)(A)(ii) of such Act, so long as the staffing standards actually being applied in the provision of the services involved [(A) comply with applicable State law (as in effect at the time the services are provided), (B) are no lower than the corresponding staffing standards which were imposed or required by applicable State law on September 15, 1975, and (C) are no lower, in the case of any day care center or group day care home, than the corresponding standards actually being applied in such center or home on September 15, 1975.] *comply with applicable State law (as in effect at the time the services are provided)*.

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Excerpts From Public Law 94–120

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Sec. 4. (a) Section 2003 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(f) The provisions of section 333 of the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act of 1970 shall be applicable to services provided by any State pursuant to this title with respect to individuals suffering from drug addiction or alcoholism.".

(b)(1) Section 2002(a)(7) of such Act is amended by adding at the end thereof the following new sentence: "With regard to ending the dependency of individuals who are alcoholics or drug addicts, the entire rehabilitative process for such individuals, including but not limited to initial detoxification, short term residential treatment, and subsequent outpatient counseling and rehabilitative services, whether or not such a process involves more than one provider of services, shall be the basis for determining whether standards imposed by or under subparagraph (A) or (E) of this paragraph have been met.".

(2) Section 2002(a)(11) of such Act is amended by—

(A) striking out "and" at the end of clause (B) thereof,

(B) striking out the period at the end of clause (C) thereof and inserting in lieu of such period "; and", and

(C) adding after clause (C) thereof the following new clause:

"(D) any expenditure for the initial detoxification of an alcoholic or drug dependent individual, for a period not to exceed 7 days, if such detoxification is integral to the further provision of services for which such individual would otherwise be eligible under this title.".

(3) Section 2002(a)(7)(A) of such Act is amended by inserting "(except as provided in paragraph (11)(D))" immediately after "other remedial care".

(4) Section 2002(a)(7)(E) of such Act is amended by inserting "and paragraph (11)(D)" immediately after "paragraph(11)(C)".

(c) The amendments made by this section shall be effective [only for the period beginning October 1, 1975, and ending January 31, 1976; and, on and after February 1, 1976, sections 2002(a)(7), 2002(a)(11), and 2003 of the Social Security Act shall read as they would if such amendments had not been made.] *from and after October 1, 1975.*

Excerpts From Public Law 94–401, As Amended

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Sec. 3. (a) For purposes of title XX of the Social Security Act, the amount of the limitation (imposed by section 2002(a)(2) of such Act) which is applicable to any State for the fiscal period beginning July 1, 1976, and ending September 30, 1976, or which is applicable to any State for the fiscal year ending September 30, 1977, and the fiscal year ending September 30, 1978, shall be deemed to be equal to whichever of the following is the lesser:

(1) an amount equal to—

(A) 106.4 per centum of the amount of the limitation so imposed (as determined without regard to this section) in the case of such fiscal period, or

(B) 108 per centum of the amount of the limitation so imposed (as determined without regard to this section) in the case of such fiscal year ending September 30, 1977, and such fiscal year ending September 30, 1978, or

(2) an amount equal to (A) 100 per centum of such limitation for such fiscal period or either such fiscal year (as determined without regard to this section), plus (B) an amount equal to the sum of (i) 75 per centum (in the case of such fiscal period) or 100 per centum (in the case of such fiscal year) of the total amount of expenditures (I) which are made during such fiscal period or year in connection with the provision of any child day care service, and (II) with respect to which payment is authorized to be made to the State under such title for such fiscal period or year, and (ii) the aggregate of the amounts of the grants, made by the State during such fiscal period or year, to which the provisons of Subsection (c)(1) are applicable.

(b) The additional Federal funds which become payable to any State for the fiscal period or either fiscal year specified in subsection (a) by reason of the provisions of such subsection shall, to the maximum extent that the State determines to be feasible, be employed in such a way as to increase the employment of welfare recipients and other low-income persons in jobs related to the provisions of child day care services.

(c)(1) Subject to paragraph (2), sums granted by a State to a qualified provider of child day care services (as defined in paragraph (3)(A)) during the fiscal period or [either] *any* fiscal year *beginning prior to October 1, 1983* specified in subsection (a), to assist such provider in meeting its Federal welfare recipient employment incentive expenses (as defined in paragraph (3) (B)) with respect to individuals employed in jobs related to the provision of child day care services in one or more child day care facilities of such provider, shall be deemed, for purposes of title XX of the Social Security Act, to constitute expenditures made by the State, in accordance with the requirements and conditions imposed by such Act, for the provision of services directed at one or more of the goals set forth in clauses (A) through (E) of the first sentence of section 2002 (a)(1) of such Act. With respect to sums to which the preceding sentence is applicable (after application of the provisions of paragraph (2)), the figure "75", as contained in the first sentence of section 2002(a)(1) of such Act shall, be deemed to read "100".

(2) The provisions of paragraph (1) shall not be applicable—

(A) to the amount, if any, by which the aggregate of the sums (as described in such paragraph) granted by any State during the fiscal period or [either] *any* fiscal year *beginning prior to October 1, 1983* specified in subsection (a) exceeds the amount by which such State's limitation (as referred to in subsection (a)) is increased pursuant to such subsection for such fiscal period or year, or

(B) with respect to any grant made to a particular qualified provider of child day care services to the extent that (as determined by the Secretary) such grant is or will be used—

(i) to pay wages to any employee at an annual rate in excess of $5,000, in the case of a public or nonprofit private provider, or

(ii) to pay wages to any employee at an annual rate in excess of $4,000, or to pay more than 80 per centum of the wages of any employee, in the case of any other provider.

(3) For purposes of this subsection—

(A) the term "qualified provider of child day care services", when used in reference to a recipient of a grant by a State, includes a provider of such services only if, of the total number of children receiving such services from such provider in the facility with respect to which the grant is made, at least 20 per centum thereof have some or all of the costs for the child day care services so furnished to them by such provider paid for under the State's services program conducted pursuant to title XX of the Social Security Act; and

(B) the term "Federal welfare recipient employment expenses" means expenses of a qualified provider of child day care services which constitute Federal welfare recipient employment incentive expenses as defined in section 50B(a)(2) of the Internal Revenue Code of 1954, or which would constitute Federal welfare recipient employment incentive expenses as so defined if the provider were a taxpayer entitled to a credit (with respect to the wages involved) under section 40 of such Code. In the case that section 50B(a)(2) of the Internal Revenue Code of 1954 does not contain a definition of the term "Federal welfare recipient employment incentive expenses", such term as used in the preceding sentence shall be deemed to read "work incentive program expenses", and the reference to section 50B(a)(2) shall be deemed to refer to section 50B(a).

(d)(1) In the administration of title XX of the Social Security Act, the figure "75", as contained in the first sentence of section 2002(a)(1) of such Act, shall, subject to paragraph (2), be deemed to read "100" for purposes of applying such sentence to expenditures made by a State for the provision of child day care services during the fiscal year ending September 30, 1977, or the fiscal year ending September 30, 1978.

(2) The total amount of Federal payments which may be paid to any State for either such fiscal year under title XX of the Social Security Act at the rate specified in paragraph (1) shall not exceed an amount equal to the excess (if any) of—

(A) the amount by which such State's limitation (as referred to in subsection (a)) is increased pursuant to such subsection for such year, over

(B) the aggregate of the amounts of the grants, made by the State during such year, to which the provisions of subsection (c)(1) are applicable.

* * * * * * *

Sec. 5. (a) Section 2002(a)(9)(A)(ii) of the Social Security Act is amended—

(1) by striking out "and" at the end of clause (II), and

(2) by adding after the comma at the end of clause (III) the following: "(IV) the State agency may waive the staffing standards otherwise applicable in the case of a day care center or group day care home in which not more than 20 per centum of the children in the facility (or, in the case of a day care center, not more than 5 children in the center) are children whose care is being paid for (wholly or in part) from funds made available to the

State under this title, if such agency finds that it is not feasible to furnish day care for the children, whose care is so paid for, in a day care facility which complies with such staffing standards, and if the day care facility providing care for such children complies with applicable State standards, and (V) in determining whether applicable staffing standards are met in the case of day care provided in a family day care home, the number of children being cared for in such home shall include a child of the mother who is operating the home only if such child is under age 6,".

(b) The amendments made by subsection (a) shall, insofar as such amendments add a new clause (V) to section 2002(a)(9)(A)(ii) of the Social Security Act, be effective for the period beginning October 1, 1975, and ending September 30, [1978]; *1979* and on and after October 1, [1978] *1979* section 2002(a)(9)(A)(ii) of the Social Security Act shall read as it would if such amendments had not been made.

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