

SOCIAL IMPACT PARTNERSHIPS TO PAY FOR RESULTS
ACT

JUNE 10, 2016.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. BRADY of Texas, from the Committee on Ways and Means,
submitted the following

R E P O R T

together with

ADDITIONAL AND DISSENTING VIEWS

[To accompany H.R. 5170]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 5170) to encourage and support partnerships between the public and private sectors to improve our Nation's social programs, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

	Page
I. SUMMARY AND BACKGROUND	11
A. Purpose and Summary	11
B. Background and Need for Legislation	11
C. Legislative History	12
II. EXPLANATION OF THE BILL	12
Section 1: Short Title	12
Section 2: Social Impact Partnerships to Pay For Results	13
III. VOTES OF THE COMMITTEE	19
IV. NEW BUDGET AUTHORITY AND TAX EXPENDITURES	20
V. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE	20
VI. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE	22
A. Committee Oversight Findings and Recommendations	22
B. Statement of General Performance Goals and Objectives	22
C. Applicability of House Rule XXI 5(b)	22

D. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits	23
E. Duplication of Federal Programs	23
F. Disclosure of Directed Rule Makings	23
VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED	23
A. Text of Existing Law Amended or Repealed by the Bill, as Reported	23
B. Changes in Existing Law Proposed by the Bill, as Reported	47
VIII. ADDITIONAL AND DISSENTING VIEWS	85

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Social Impact Partnerships to Pay for Results Act”.

SEC. 2. SOCIAL IMPACT PARTNERSHIPS TO PAY FOR RESULTS.

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

“(c) SOCIAL IMPACT DEMONSTRATION PROJECTS.—

“(1) PURPOSES.—The purposes of this subsection are the following:

“(A) To improve the lives of families and individuals in need in the United States by funding social programs that achieve real results.

“(B) To redirect funds away from programs that, based on objective data, are ineffective, and into programs that achieve demonstrable, measurable results.

“(C) To ensure Federal funds are used effectively on social services to produce positive outcomes for both service recipients and taxpayers.

“(D) To establish the use of social impact partnerships to address some of our Nation’s most pressing problems.

“(E) To facilitate the creation of public-private partnerships that bundle philanthropic or other private resources with existing public spending to scale up effective social interventions already being implemented by private organizations, non-profits, charitable organizations, and State and local governments across the country.

“(F) To bring pay-for-performance to the social sector, allowing the United States to improve the impact and effectiveness of vital social services programs while redirecting inefficient or duplicative spending.

“(G) To incorporate outcomes measurement and randomized controlled trials or other rigorous methodologies for assessing program impact.

“(2) SOCIAL IMPACT PARTNERSHIP APPLICATION.—

“(A) NOTICE.—Not later than 1 year after the date of the enactment of this subsection, the Secretary of the Treasury, in consultation with the Federal Interagency Council on Social Impact Partnerships, shall publish in the Federal Register a request for proposals from States or local government for social impact partnership projects in accordance with this paragraph.

“(B) REQUIRED OUTCOMES FOR SOCIAL IMPACT PARTNERSHIP PROJECT.—To qualify as a social impact partnership project under this subsection, a project must produce 1 or more measurable, clearly defined outcomes that result in social benefit and Federal savings through any of the following:

“(i) Increasing work and earnings by individuals who have been unemployed in the United States for more than 6 consecutive months.

“(ii) Increasing employment and earnings of individuals who have attained 16 years of age but not 25 years of age.

“(iii) Increasing employment among individuals receiving Federal disability benefits.

“(iv) Reducing the dependence of low-income families on Federal means-tested benefits.

“(v) Improving rates of high school graduation.

“(vi) Reducing teen and unplanned pregnancies.

“(vii) Improving birth outcomes and early childhood health and development among low-income families and individuals.

“(viii) Reducing rates of asthma, diabetes, or other preventable diseases among low-income families and individuals to reduce the utilization of emergency and other high-cost care.

“(ix) Increasing the proportion of children living in 2-parent families.

“(x) Reducing incidences and adverse consequences of child abuse and neglect.

“(xi) Reducing the number of youth in foster care by increasing adoptions, permanent guardianship arrangements, reunification, or placement with a fit and willing relative, or by avoiding placing children in foster care by ensuring they can be cared for safely in their own homes.

“(xii) Reducing the number of children and youth in foster care residing in group homes, child care institutions, agency-operated foster homes, or other non-family foster homes, unless it is determined that it is in the interest of the child’s long-term health, safety, or psychological well-being to not be placed in a family foster home.

“(xiii) Reducing the number of children returning to foster care.

“(xiv) Reducing recidivism among juveniles, individuals released from prison, or other high-risk populations.

“(xv) Reducing the rate of homelessness among our most vulnerable populations.

“(xvi) Improving the health and well-being of those with mental, emotional, and behavioral health needs.

“(xvii) Improving the educational outcomes of special-needs or low-income children.

“(xviii) Improving the employment and well-being of returning United States military members.

“(xix) Increasing the financial stability of low-income families.

“(xx) Increasing the independence and employability of individuals who are physically or mentally disabled.

“(xxi) Other measurable outcomes defined by the State or local government that result in positive social outcomes and Federal savings.

“(C) APPLICATION REQUIRED.—The notice described in subparagraph (A) shall require a State or local government to submit an application for the social impact partnership project that addresses the following:

“(i) The outcome goals of the project.

“(ii) A description of each intervention in the project and anticipated outcomes of the intervention.

“(iii) Rigorous evidence demonstrating that the intervention can be expected to produce the desired outcomes.

“(iv) The target population that will be served by the project.

“(v) The expected social benefits to participants who receive the intervention and others who may be impacted.

“(vi) Projected Federal, State, and local government costs and other costs to conduct the project.

“(vii) Projected Federal, State, and local government savings and other savings, including an estimate of the savings to the Federal Government, on a program-by-program basis and in the aggregate, if the project is implemented and the outcomes are achieved.

“(viii) If savings resulting from the successful completion of the project are estimated to accrue to the State or local government, the likelihood of the State or local government to realize those savings.

“(ix) A plan for delivering the intervention through a social impact partnership model.

“(x) A description of the expertise of each service provider that will administer the intervention, including a summary of the experience of the service provider in delivering the proposed intervention or a similar intervention, or demonstrating that the service provider has the expertise necessary to deliver the proposed intervention.

“(xi) An explanation of the experience of the State or local government, the intermediary, or the service provider in raising private and philanthropic capital to fund social service investments.

“(xii) The detailed roles and responsibilities of each entity involved in the project, including any State or local government entity, intermediary, service provider, independent evaluator, investor, or other stakeholder.

“(xiii) A summary of the experience of the service provider delivering the proposed intervention or a similar intervention, or a summary demonstrating the service provider has the expertise necessary to deliver the proposed intervention.

“(xiv) A summary of the unmet need in the area where the intervention will be delivered or among the target population who will receive the intervention.

“(xv) The proposed payment terms, the methodology used to calculate outcome payments, the payment schedule, and performance thresholds.

“(xvi) The project budget.

“(xvii) The project timeline.

“(xviii) The criteria used to determine the eligibility of an individual for the project, including how selected populations will be identified, how they will be referred to the project, and how they will be enrolled in the project.

“(xix) The evaluation design.

“(xx) The metrics that will be used to determine whether the outcomes have been achieved and how the metrics will be measured.

“(xxi) An explanation of how the metrics used to determine whether the outcomes have been achieved are independent, objective indicators of impact and are not subject to manipulation by the service provider, intermediary, or investor.

“(xxii) A summary explaining the independence of the evaluator from the other entities involved in the project and the evaluator’s experience in conducting rigorous evaluations of program effectiveness including, where available, well-implemented randomized controlled trials on the intervention or similar interventions.

“(xxiii) The capacity of the service provider to deliver the intervention to the number of participants the State or local government proposes to serve in the project.

“(D) PROJECT INTERMEDIARY INFORMATION REQUIRED.—The application described in subparagraph (C) shall also contain the following information about any intermediary for the social impact partnership project (whether an intermediary is a service provider or other entity):

“(i) Experience and capacity for providing or facilitating the provision of the type of intervention proposed.

“(ii) The mission and goals.

“(iii) Information on whether the intermediary is already working with service providers that provide this intervention or an explanation of the capacity of the intermediary to begin working with service providers to provide the intervention.

“(iv) Experience working in a collaborative environment across government and nongovernmental entities.

“(v) Previous experience collaborating with public or private entities to implement evidence-based programs.

“(vi) Ability to raise or provide funding to cover operating costs (if applicable to the project).

“(vii) Capacity and infrastructure to track outcomes and measure results, including—

“(I) capacity to track and analyze program performance and assess program impact; and

“(II) experience with performance-based awards or performance-based contracting and achieving project milestones and targets.

“(viii) Role in delivering the intervention.

“(ix) How the intermediary would monitor program success, including a description of the interim benchmarks and outcome measures.

“(E) FEASIBILITY STUDIES FUNDED THROUGH OTHER SOURCES.—The notice described in subparagraph (A) shall permit a State or local government to submit an application for social impact partnership funding that contains information from a feasibility study developed for purposes other than applying for funding under this subsection.

“(3) AWARDING SOCIAL IMPACT PARTNERSHIP AGREEMENTS.—

“(A) TIMELINE IN AWARDING AGREEMENT.—Not later than 6 months after receiving an application in accordance with paragraph (2), the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships, shall determine whether to enter into an agreement for a social impact partnership project with a State or local government.

“(B) CONSIDERATIONS IN AWARDING AGREEMENT.—In determining whether to enter into an agreement for a social impact partnership project (the application for which was submitted under paragraph (2)) the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships (established by paragraph (6)) and the head of any Federal agency administering a similar intervention or serving a population similar to that served by the project, shall consider each of the following:

“(i) The recommendations made by the Commission on Social Impact Partnerships.

“(ii) The value to the Federal Government of the outcomes expected to be achieved if the outcomes specified in the agreement are achieved.

“(iii) The likelihood, based on evidence provided in the application and other evidence, that the State or local government in collaboration with the intermediary and the service providers will achieve the outcomes.

“(iv) The savings to the Federal Government if the outcomes specified in the agreement are achieved.

“(v) The savings to the State and local governments if the outcomes specified in the agreement are achieved.

“(vi) The expected quality of the evaluation that would be conducted with respect to the agreement.

“(C) AGREEMENT AUTHORITY.—

“(i) AGREEMENT REQUIREMENTS.—In accordance with this paragraph, the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships and the head of any Federal agency administering a similar intervention or serving a population similar to that served by the project, may enter into an agreement for a social impact partnership project with a State or local government if the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships, determines that each of the following requirements are met:

“(I) The State or local government agrees to achieve 1 or more outcomes specified in the agreement in order to receive payment.

“(II) The Federal payment to the State or local government for each outcome specified is less than or equal to the value of the outcome to the Federal Government over a period not to exceed 10 years, as determined by the Secretary, in consultation with the State or local government.

“(III) The duration of the project does not exceed 10 years.

“(IV) The State or local government has demonstrated, through the application submitted under paragraph (2), that, based on prior rigorous experimental evaluations or rigorous quasi-experimental studies, the intervention can be expected to achieve each outcome specified in the agreement.

“(V) The State, local government, intermediary, or service provider has experience raising private or philanthropic capital to fund social service investments (if applicable to the project).

“(VI) The State or local government has shown that each service provider has experience delivering the intervention, a similar intervention, or has otherwise demonstrated the expertise necessary to deliver the intervention.

“(ii) PAYMENT.—The Secretary shall pay the State or local government only if the independent evaluator described in paragraph (5) determines that the social impact partnership project has met the requirements specified in the agreement and achieved an outcome specified in the agreement.

“(D) NOTICE OF AGREEMENT AWARD.—Not later than 30 days after entering into an agreement under this paragraph, the Secretary shall publish a notice in the Federal Register that includes, with regard to the agreement, the following:

“(i) The outcome goals of the social impact partnership project.

“(ii) A description of each intervention in the project.

“(iii) The target population that will be served by the project.

“(iv) The expected social benefits to participants who receive the intervention and others who may be impacted.

“(v) The detailed roles, responsibilities, and purposes of each Federal, State, or local government entity, intermediary, service provider, independent evaluator, investor, or other stakeholder.

“(vi) The payment terms, the methodology used to calculate outcome payments, the payment schedule, and performance thresholds.

“(vii) The project budget.

“(viii) The project timeline.

“(ix) The project eligibility criteria.

“(x) The evaluation design.

“(xi) The metrics that will be used to determine whether the outcomes have been achieved and how these metrics will be measured.

“(xii) The estimate of the savings to the Federal, State, and local government, on a program-by-program basis and in the aggregate, if the agreement is entered into and implemented and the outcomes are achieved.

“(E) AUTHORITY TO TRANSFER ADMINISTRATION OF AGREEMENT.—The Secretary may transfer to the head of another Federal agency the authority to administer (including making payments under) an agreement entered into under subparagraph (C), and any funds necessary to do so.

“(4) FEASIBILITY STUDY FUNDING.—

“(A) REQUESTS FOR FUNDING FOR FEASIBILITY STUDIES.—The Secretary shall reserve a portion of the amount reserved to carry out this subsection to assist States or local governments in developing feasibility studies to apply for social impact partnership funding under paragraph (2). To be eligible to receive funding to assist with completing a feasibility study, a State or local government shall submit an application for feasibility study funding addressing the following:

“(i) A description of the outcome goals of the social impact partnership project.

“(ii) A description of the intervention, including anticipated program design, target population, an estimate regarding the number of individuals to be served, and setting for the intervention.

“(iii) Evidence to support the likelihood that the intervention will produce the desired outcomes.

“(iv) A description of the potential metrics to be used.

“(v) The expected social benefits to participants who receive the intervention and others who may be impacted.

“(vi) Estimated costs to conduct the project.

“(vii) Estimates of Federal, State, and local government savings and other savings if the project is implemented and the outcomes are achieved.

“(viii) An estimated timeline for implementation and completion of the project, which shall not exceed 10 years.

“(ix) With respect to a project for which the State or local government selects an intermediary to operate the project, any partnerships needed to successfully execute the project and the ability of the intermediary to foster the partnerships.

“(x) The expected resources needed to complete the feasibility study for the State or local government to apply for social impact partnership funding under paragraph (2).

“(B) FEDERAL SELECTION OF APPLICATIONS FOR FEASIBILITY STUDY.—Not later than 6 months after receiving an application for feasibility study funding under subparagraph (A), the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships and the head of any Federal agency administering a similar intervention or serving a population similar to that served by the project, shall select State or local government feasibility study proposals for funding based on the following:

“(i) The recommendations made by the Commission on Social Impact Partnerships.

“(ii) The likelihood that the proposal will achieve the desired outcomes.

“(iii) The value of the outcomes expected to be achieved.

“(iv) The potential savings to the Federal Government if the social impact partnership project is successful.

“(v) The potential savings to the State and local governments if the project is successful.

“(C) PUBLIC DISCLOSURE.—Not later than 30 days after selecting a State or local government for feasibility study funding under this paragraph, the Secretary shall cause to be published on the website of the Federal Interagency Council on Social Impact Partnerships information explaining why a State or local government was granted feasibility study funding.

“(D) FUNDING RESTRICTION.—

“(i) FEASIBILITY STUDY RESTRICTION.—The Secretary may not provide feasibility study funding under this paragraph for more than 50 percent of the estimated total cost of the feasibility study reported in the State or local government application submitted under subparagraph (A).

“(ii) AGGREGATE RESTRICTION.—Of the total amount reserved to carry out this subsection, the Secretary may not use more than \$10,000,000 to provide feasibility study funding to States or local governments under this paragraph.

“(iii) NO GUARANTEE OF FUNDING.—The Secretary shall have the option to award no funding under this paragraph.

“(E) SUBMISSION OF FEASIBILITY STUDY REQUIRED.—Not later than 9 months after the receipt of feasibility study funding under this paragraph, a State or local government receiving the funding shall complete the feasibility study and submit the study to the Federal Interagency Council on Social Impact Partnerships.

“(F) DELEGATION OF AUTHORITY.—The Secretary may transfer to the head of another Federal agency the authorities provided in this paragraph and any funds necessary to exercise the authorities.

“(5) EVALUATIONS.—

“(A) AUTHORITY TO ENTER INTO AGREEMENTS.—For each State or local government awarded a social impact partnership project approved by the Secretary under this subsection, the head of the relevant agency, as determined by the Federal Interagency Council on Social Impact Partnerships, shall enter into an agreement with the State or local government to pay for all or part of the independent evaluation to determine whether the State or local government project has met an outcome specified in the agreement in order for the State or local government to receive outcome payments under this subsection.

“(B) EVALUATOR QUALIFICATIONS.—The head of the relevant agency may not enter into an agreement with a State or local government unless the head determines that the evaluator is independent of the other parties to the agreement and has demonstrated substantial experience in conducting rigorous evaluations of program effectiveness including, where available and appropriate, well-implemented randomized controlled trials on the intervention or similar interventions.

“(C) METHODOLOGIES TO BE USED.—The evaluation used to determine whether a State or local government will receive outcome payments under this subsection shall use experimental designs using random assignment or other reliable, evidence-based research methodologies, as certified by the Federal Interagency Council on Social Impact Partnerships, that allow for the strongest possible causal inferences when random assignment is not feasible.

“(D) PROGRESS REPORT.—

“(i) SUBMISSION OF REPORT.—The independent evaluator shall—

“(I) not later than 2 years after a project has been approved by the Secretary and biannually thereafter until the project is concluded, submit to the head of the relevant agency and the Federal Interagency Council on Social Impact Partnerships a written report summarizing the progress that has been made in achieving each outcome specified in the agreement; and

“(II) before the scheduled time of the first outcome payment and before the scheduled time of each subsequent payment, submit to the head of the relevant agency and the Federal Interagency Council on Social Impact Partnerships a written report that includes the results of the evaluation conducted to determine whether an outcome payment should be made along with information on the unique factors that contributed to achieving or failing to achieve the outcome, the challenges faced in attempting to achieve the outcome, and information on the improved future delivery of this or similar interventions.

“(ii) SUBMISSION TO CONGRESS.—Not later than 30 days after receipt of the written report pursuant to clause (i)(II), the Federal Interagency Council on Social Impact Partnerships shall submit the report to each committee of jurisdiction in the House of Representatives and the Senate.

“(E) FINAL REPORT.—

“(i) SUBMISSION OF REPORT.—Within 6 months after the social impact partnership project is completed, the independent evaluator shall—

“(I) evaluate the effects of the activities undertaken pursuant to the agreement with regard to each outcome specified in the agreement; and

“(II) submit to the head of the relevant agency and the Federal Interagency Council on Social Impact Partnerships a written report that includes the results of the evaluation and the conclusion of the evaluator as to whether the State or local government has fulfilled each obligation of the agreement, along with information on the unique factors that contributed to the success or failure of the project, the challenges faced in attempting to achieve the outcome,

and information on the improved future delivery of this or similar interventions.

“(ii) SUBMISSION TO CONGRESS.—Not later than 30 days after receipt of the written report pursuant to clause (i)(II), the Federal Interagency Council on Social Impact Partnerships shall submit the report to each committee of jurisdiction in the House of Representatives and the Senate.

“(F) LIMITATION ON COST OF EVALUATIONS.—Of the amount reserved under this subsection for social impact partnership projects, the Secretary may not obligate more than 15 percent to evaluate the implementation and outcomes of the projects.

“(G) DELEGATION OF AUTHORITY.—The Secretary may transfer to the head of another Federal agency the authorities provided in this paragraph and any funds necessary to exercise the authorities.

“(6) FEDERAL INTERAGENCY COUNCIL ON SOCIAL IMPACT PARTNERSHIPS.—

“(A) ESTABLISHMENT.—There is established the Federal Interagency Council on Social Impact Partnerships (in this paragraph referred to as the ‘Council’) to—

“(i) coordinate the efforts of social impact partnership projects funded under this subsection;

“(ii) advise and assist the Secretary in the development and implementation of the projects;

“(iii) advise the Secretary on specific programmatic and policy matter related to the projects;

“(iv) provide subject-matter expertise to the Secretary with regard to the projects;

“(v) ensure that each State or local government that has entered into an agreement with the Secretary for a social impact partnership project under this subsection and each evaluator selected by the head of the relevant agency under paragraph (5) has access to Federal administrative data to assist the State or local government and the evaluator in evaluating the performance and outcomes of the project;

“(vi) address issues that will influence the future of social impact partnership projects in the United States;

“(vii) provide guidance to the executive branch on the future of social impact partnership projects in the United States;

“(viii) review State and local government applications for social impact partnerships to ensure that agreements will only be awarded under this subsection when rigorous, independent data and reliable, evidence-based research methodologies support the conclusion that an agreement will yield savings to the Federal Government if the project outcomes are achieved before the applications are approved by the Secretary;

“(ix) certify, in the case of each approved social impact partnership, that the project will yield a projected savings to the Federal Government if the project outcomes are achieved, and coordinate with the relevant Federal agency to produce an after-action accounting once the project is complete to determine the actual Federal savings realized, and the extent to which actual savings aligned with projected savings; and

“(x) provide oversight of the actions of the Secretary and other Federal officials under this subsection and report periodically to Congress and the public on the implementation of this subsection.

“(B) COMPOSITION OF COUNCIL.—The Council shall have 11 members, as follows:

“(i) CHAIR.—The Chair of the Council shall be the Director of the Office of Management and Budget.

“(ii) OTHER MEMBERS.—The head of each of the following entities shall designate 1 officer or employee of the entity to be a Council member:

“(I) The Department of Labor.

“(II) The Department of Health and Human Services.

“(III) The Social Security Administration.

“(IV) The Department of Agriculture.

“(V) The Department of Justice.

“(VI) The Department of Housing and Urban Development.

“(VII) The Department of Education.

“(VIII) The Department of Veterans Affairs.

“(IX) The Department of the Treasury.

“(X) The Corporation for National and Community Service.

“(7) COMMISSION ON SOCIAL IMPACT PARTNERSHIPS.—

“(A) ESTABLISHMENT.—There is established the Commission on Social Impact Partnerships (in this paragraph referred to as the ‘Commission’).

“(B) DUTIES.—The duties of the Commission shall be to—

“(i) assist the Secretary and the Federal Interagency Council on Social Impact Partnerships in reviewing applications for funding under this subsection;

“(ii) make recommendations to the Secretary and the Federal Interagency Council on Social Impact Partnerships regarding the funding of social impact partnership agreements and feasibility studies; and

“(iii) provide other assistance and information as requested by the Secretary or the Federal Interagency Council on Social Impact Partnerships.

“(C) COMPOSITION.—The Commission shall be composed of 9 members, of whom—

“(i) 1 shall be appointed by the President, who will serve as the Chair of the Commission;

“(ii) 1 shall be appointed by the Majority Leader of the Senate;

“(iii) 1 shall be appointed by the Minority Leader of the Senate;

“(iv) 1 shall be appointed by the Speaker of the House of Representatives;

“(v) 1 shall be appointed by the Minority Leader of the House of Representatives;

“(vi) 1 shall be appointed by the Chairman of the Committee on Finance of the Senate;

“(vii) 1 shall be appointed by the ranking member of the Committee on Finance of the Senate;

“(viii) 1 member shall be appointed by the Chairman of the Committee on Ways and Means of the House of Representatives; and

“(ix) 1 shall be appointed by the ranking member of the Committee on Ways and Means of the House of Representatives.

“(D) QUALIFICATIONS OF COMMISSION MEMBERS.—The members of the Commission shall—

“(i) be experienced in finance, economics, pay for performance, or program evaluation;

“(ii) have relevant professional or personal experience in a field related to 1 or more of the outcomes listed in this subsection; or

“(iii) be qualified to review applications for social impact partnership projects to determine whether the proposed metrics and evaluation methodologies are appropriately rigorous and reliant upon independent data and evidence-based research.

“(E) TIMING OF APPOINTMENTS.—The appointments of the members of the Commission shall be made not later than 120 days after the date of the enactment of this subsection, or, in the event of a vacancy, not later than 90 days after the date the vacancy arises. If a member of Congress fails to appoint a member by that date, the President may select a member of the President’s choice on behalf of the member of Congress. Notwithstanding the preceding sentence, if not all appointments have been made to the Commission as of that date, the Commission may operate with no fewer than 5 members until all appointments have been made.

“(F) TERM OF APPOINTMENTS.—

“(i) IN GENERAL.—The members appointed under subparagraph (C) shall serve as follows:

“(I) 3 members shall serve for 2 years.

“(II) 3 members shall serve for 3 years.

“(III) 3 members (1 of which shall be Chair of the Commission appointed by the President) shall serve for 4 years.

“(ii) ASSIGNMENT OF TERMS.—The Commission shall designate the term length that each member appointed under subparagraph (C) shall serve by unanimous agreement. In the event that unanimous agreement cannot be reached, term lengths shall be assigned to the members by a random process.

“(G) VACANCIES.—Subject to subparagraph (E), in the event of a vacancy in the Commission, whether due to the resignation of a member, the expiration of a member’s term, or any other reason, the vacancy shall be filled in the manner in which the original appointment was made and shall not affect the powers of the Commission.

“(H) APPOINTMENT POWER.—Members of the Commission appointed under subparagraph (C) shall not be subject to confirmation by the Senate.

“(8) LIMITATION ON USE OF FUNDS.—Of the amounts reserved to carry out this subsection, the Secretary may not use more than \$2,000,000 in any fiscal year to support the review, approval, and oversight of social impact partnership projects, including activities conducted by—

“(A) the Federal Interagency Council on Social Impact Partnerships; and
 “(B) any other agency consulted by the Secretary before approving a social impact partnership project or a feasibility study under paragraph (4).

“(9) NO FEDERAL FUNDING FOR CREDIT ENHANCEMENTS.—No amount reserved to carry out this subsection may be used to provide any insurance, guarantee, or other credit enhancement to a State or local government under which a Federal payment would be made to a State or local government as the result of a State or local government failing to achieve an outcome specified in a contract.

“(10) AVAILABILITY OF FUNDS.—Amounts reserved to carry out this subsection shall remain available until 10 years after the date of the enactment of this subsection.

“(11) WEBSITE.—The Federal Interagency Council on Social Impact Partnerships shall establish and maintain a public website that shall display the following:

“(A) A copy of, or method of accessing, each notice published regarding a social impact partnership project pursuant to this subsection.

“(B) A copy of each feasibility study funded under this subsection.

“(C) For each State or local government that has entered into an agreement with the Secretary for a social impact partnership project, the website shall contain the following information:

“(i) The outcome goals of the project.

“(ii) A description of each intervention in the project.

“(iii) The target population that will be served by the project.

“(iv) The expected social benefits to participants who receive the intervention and others who may be impacted.

“(v) The detailed roles, responsibilities, and purposes of each Federal, State, or local government entity, intermediary, service provider, independent evaluator, investor, or other stakeholder.

“(vi) The payment terms, methodology used to calculate outcome payments, the payment schedule, and performance thresholds.

“(vii) The project budget.

“(viii) The project timeline.

“(ix) The project eligibility criteria.

“(x) The evaluation design.

“(xi) The metrics used to determine whether the proposed outcomes have been achieved and how these metrics are measured.

“(D) A copy of the progress reports and the final reports relating to each social impact partnership project.

“(E) An estimate of the savings to the Federal, State, and local government, on a program-by-program basis and in the aggregate, resulting from the successful completion of the social impact partnership project.

“(12) REGULATIONS.—The Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships, may issue regulations as necessary to carry out this subsection.

“(13) DEFINITIONS.—In this subsection:

“(A) AGENCY.—The term ‘agency’ has the meaning given that term in section 551 of title 5, United States Code.

“(B) INTERVENTION.—The term ‘intervention’ means a specific service delivered to achieve an impact through a social impact partnership project.

“(C) SECRETARY.—The term ‘Secretary’ means the Secretary of the Treasury.

“(D) SOCIAL IMPACT PARTNERSHIP PROJECT.—The term ‘social impact partnership project’ means a project that finances social services using a social impact partnership model.

“(E) SOCIAL IMPACT PARTNERSHIP MODEL.—The term ‘social impact partnership model’ means a method of financing social services in which—

“(i) Federal funds are awarded to a State or local government only if a State or local government achieves certain outcomes agreed on by the State or local government and the Secretary; and

“(ii) the State or local government coordinates with service providers, investors (if applicable to the project), and (if necessary) an intermediary to identify—

“(I) an intervention expected to produce the outcome;

“(II) a service provider to deliver the intervention to the target population; and

“(III) investors to fund the delivery of the intervention.

“(F) STATE.—The term ‘State’ means each State of the United States, the District of Columbia, each commonwealth, territory or possession of the United States, and each federally recognized Indian tribe.

“(14) FUNDING.—Of the amounts made available to carry out subsection (b) for fiscal year 2017, the Secretary shall reserve \$100,000,000 to carry out this subsection.”.

I. SUMMARY AND BACKGROUND

A. PURPOSE AND SUMMARY

H.R. 5170 as amended, the “Social Impact Partnerships to Pay for Results Act,” as ordered by reported by the Committee on Ways and Means on May 11, 2016, reserves a portion of existing welfare funds to support innovative and effective social programs that deliver measurable results for people in need.

B. BACKGROUND AND NEED FOR LEGISLATION

Each year, the federal government spends hundreds of billions of dollars on more than 80 programs designed to assist children and families with limited resources. While each program was created with a goal of making a real difference in the lives of those in need, few programs have been proven to produce better outcomes for the low-income families and individuals they serve. In many cases, these programs have never been evaluated to determine if they are working as intended. Most programs cannot demonstrate they achieve better outcomes for poor families. According to two former White House officials, one Democrat and one Republican, “based on our rough calculations, less than \$1 out of every \$100 of government spending is backed by even the most basic evidence that the money is being spent wisely.”¹ Instead, many decisions on program design and funding are made based on poor quality studies, anecdotes or testimonials, or well-meaning program operators who believe their program will be effective. Even when programs are evaluated, most don’t work.

Low-income individuals and taxpayers alike deserve programs that are effective in helping people improve their lives and get ahead. Given the current fiscal climate, it is also critical that Congress ensure taxpayer dollars are spent on programs that work. Social Impact financing is one mechanism designed to improve the way taxpayer funds are spent on social services by ensuring money is only spent on programs that deliver results. At its core, this financing structure represents a way to fund effective social programs and ensure government only pays for success. Under this model, government identifies a desired social outcome and agrees to pay for that outcome. Next, investors agree to a contract to be paid for that outcome and identify and fund a service provider to achieve it. If the outcome is achieved, the government repays investors. If the outcome is not achieved, the government does not pay.

¹ John Bridgeland and Peter Orszag, *Can Government Play Moneyball? How a new era of fiscal scarcity could make Washington work better*. The Atlantic, July/August 2013 issue. Available online: <http://www.theatlantic.com/magazine/archive/2013/07/can-government-play-moneyball/309389/>.

Social impact financing shifts the risk of achieving the outcome from government to the private sector, as taxpayer funds are only spent if desired outcomes are achieved. As a result, this funding structure helps drive innovation and competition in the social service sector, as funding will be available to reward those who demonstrate effectiveness. This financing structure also provides more flexibility to service providers to focus on achieving outcomes—instead of focusing on compliance with cumbersome federal rules.

C. LEGISLATIVE HISTORY

Background

H.R. 5170, the “Social Impact Partnerships to Pay for Results Act,” was introduced on May 6, 2016, by Representative Todd Young and Representative John Delaney, and was referred to the Committee on Ways and Means.

The bill represents the result of over two years of legislative work to include feedback from a variety of stakeholders. A proposal was released for public comment on April 29, 2014, and many groups provided feedback on the initial draft. After incorporating this feedback into a new draft, the bill was introduced on June 18, 2014, and Mr. Young and Mr. Delaney continued to solicit input in the months following the bill introduction. The sponsors continued to consider comments and suggestions through March 4, 2015, when the bill was reintroduced incorporating additional suggestions. The proposal was further refined when it was included as part of a Ways and Means discussion draft to reauthorize the Temporary Assistance for Needy Families (TANF) program on July 17, 2015. The latest version, introduced May 6, 2016, includes further feedback, including input from every major stakeholder, including Republicans, Democrats, and the White House.

Committee hearings

The Ways and Means Human Resources Subcommittee held a hearing on the bill on September 9, 2014. This hearing highlighted how few federal social programs are evaluated to determine whether they are effective, and how some state and local governments are providing funding through “pay for results” or “social impact” contracts to only pay for social services that produce results.

Committee action

The Committee on Ways and Means marked up H.R. 5170, the “Social Impact Partnerships to Pay for Results Act,” on May 11, 2016. The bill, H.R. 5170, was ordered favorably reported to the House of Representatives as amended by a voice vote (with a quorum being present).

II. EXPLANATION OF THE BILL

SECTION 1: SHORT TITLE

Present law

No provision.

Explanation of provision

This section contains the short title of the bill, the “Social Impact Partnerships to Pay for Results Act.”

Reason for change

The Committee believes that the short title reflects the policy actions included in the legislation.

Effective date

The provision is effective October 1, 2016.

SECTION 2: SOCIAL IMPACT PARTNERSHIPS TO PAY FOR RESULTS

Present law

No provision.

Explanation of provision

The “Social Impact Partnerships to Pay for Results Act” would establish Social Impact Partnership demonstration projects. The bill would authorize the Secretary of the Treasury to enter into agreements with state or local governments to conduct projects where the federal government would make a payment to the state or local government if the project met the requirements of the agreement and achieved one or more of the outcomes specified in the contract (pay for performance) as determined by an independent evaluator.

A Federal Interagency Council on Social Impact Partnerships would be established to:

- Coordinate the efforts of projects funded under the demonstration;
- Advise and assist the Secretary of the Treasury on the implementation and development of projects;
- Advise the Secretary on specific programmatic and policy matters;
- Provide subject matter expertise;
- Ensure access to federal administrative data to evaluate the project;
- Address issues that will influence, and provide guidance to the executive branch on, the future of social impact partnerships;
- Review applications for social impact partnership projects;
- Certify that each approved project will yield projected savings to the federal government; and
- Provide oversight for projects in the demonstration.

The council would be composed of 11 members. The bill would designate the Director of the Office of Management and Budget to be chair, and would require the remaining ten members to be designated by the following federal agencies, with each federal agency designating one officer or employee: the Department of Labor, Department of Health and Human Services, Social Security Administration, Department of Agriculture, Department of Justice, Department of Housing and Urban Development, Department of Education, Department of Veterans Affairs, Department of the Treasury, and the Corporation for National and Community Service.

The social impact demonstration has seven enumerated purposes:

1. Improve the lives of families and individuals in need in the United States by funding social programs that achieve real results;
2. Redirect funds away from programs that are ineffective and into programs that achieve demonstrable, measurable results;
3. Ensure the federal funds are used effectively on social services to produce positive outcomes for both recipients and taxpayers;
4. Establish the use of social impact partnerships to address some national problems;
5. Facilitate the creation of public-private partnerships;
6. Bring pay-for-performance to the social sector; and
7. Incorporate outcome measurement and randomized control trials or other rigorous methods for assessing program impacts.

The bill would require a social impact partnership project to produce one or more measurable outcomes that result in social benefit and federal savings through any of the following enumerated outcomes:

1. Increasing work or earnings of those who have been unemployed for more than six consecutive months;
2. Increasing employment and earnings of youth aged 16 through 24;
3. Increasing employment among individuals receiving federal disability benefits;
4. Reducing dependence of low-income families on means-tested benefits;
5. Improving high school graduation rates;
6. Reducing teen and unplanned pregnancies;
7. Improving birth outcomes and early childhood health and development for low-income families and individuals;
8. Reducing rates of asthma, diabetes, or other preventable diseases among low-income families and reducing the use of emergency and high cost health care;
9. Increasing the proportion of children living in two-parent families;
10. Reducing the incidence and adverse consequences of child abuse and neglect;
11. Reducing the number of youth in foster care;
12. Reducing the number of youth in foster care living in non-family environments (e.g., group homes);
13. Reducing the number of children returning to foster care;
14. Reducing recidivism among juveniles, individuals released from prison, or other high risk populations;
15. Reducing homelessness;
16. Improving the health and well-being of those with mental, emotional, and behavioral health needs;
17. Improving the educational outcomes of special-needs or low-income children;
18. Improving the employment and well-being of returning U.S. military members;

- 19. Increasing the financial stability of low-income families;
- 20. Increasing the independence and employability of those with physical or mental disabilities; and
- 21. Other positive social outcomes and federal savings.

Not later than one year after enactment, the Secretary of the Treasury, in consultation with the Federal Interagency Council on Social Impact Partnerships, would be required to publish in the Federal Register a notice that seeks proposals from state or local governments for social impact partnership projects. A state or local government would be required to submit an application for the social impact partnership project.

The application would be required to, among other things, describe the intervention, unmet needs addressed by the intervention, target population, criteria for determining eligibility and enrollment in the project, and a plan for delivering the intervention. In the application, the state or local government would be required to address project outcome goals; demonstrate with certain types of evidence that the intervention can be expected to produce the desired outcome; include projections of federal, state, and local government costs of the project; and include projections of federal, state, and local government savings from a successful implementation of the project. The application would be required to also include a description of the experience of the state and local government in raising private and philanthropic capital to fund social services; the experience of the service provider in delivering the proposed intervention; certain information about the intermediary for the social impact partnership project, including the intermediary's experience and capacity, mission and goals, and other categories of information. The application would also be required to address the project's evaluation, metrics used in its assessment, and the terms for payment if the program succeeds in producing its desired outcome.

A Commission on Social Impact Partnerships would be established to assist the Secretary of the Treasury and the Federal Interagency Council on Social Impact Partnerships in reviewing applications for funding, make recommendations to the Secretary of the Treasury and the Council on Social Impact Partnerships regarding funding for agreements and feasibility studies, and provide other assistance and information. The commission would be composed of nine members: a chair appointed by the President and eight members selected by designated Members of Congress.

Under the demonstration, federal funds could provide up to 50% of the cost of a feasibility study to apply for social impact partnership funding. Applications would be able to also include information drawn from feasibility studies funded through other sources. However, state and local governments would not be guaranteed federal funding for these studies. Applications for funding for feasibility study funding would be required to be submitted by state or local governments, and would be required to address:

- A description of the outcome goals of the project;
- A description of the intervention;
- Evidence supporting the likelihood that the intervention will produce desired outcomes;
- A description of the potential metrics to be used;

- Expected social benefits to participants receiving the intervention;
 - Estimated costs to conduct the project;
 - Estimated savings to the federal government if the outcomes are achieved;
 - Estimated timeline for completion;
 - Any partnership needed to successfully execute the project;
- and
- Expected resources needed to complete the feasibility study.

The Secretary of the Treasury would be required to make a determination about whether to award funding for a feasibility study to an eligible application not later than six months after receiving an application for feasibility study funding. In making this determination, the Secretary of the Treasury would be required to consult with the Federal Interagency Council on Social Impact Partnerships and the heads of certain federal agencies. When considering an award of feasibility study funding, the Secretary of the Treasury would be required to consider the recommendations made by the Commission on Social Impact Partnerships, the likelihood that the proposal will achieve the desired outcomes, the value of the expected outcomes, and the potential savings to the federal government and to state and local governments if the project was successful.

The Secretary of the Treasury would be required to make a determination about whether to enter into an agreement with an eligible applicant not later than six months after receiving a project application. In making this determination, the Secretary of the Treasury would be required to consult with the Federal Interagency Council on Social Impact Partnerships and the head of any federal agency administering a similar intervention or serving a population similar to the one described in the project application, and to consider several factors before making a determination on whether to enter into an agreement. These factors would be the recommendations made by the Commission on Social Impact Partnerships; the value of the expected outcomes; the likelihood, based on evidence provided in the application, that the state or local government will achieve the expected outcomes; savings to the federal government; savings to state and local governments; and the expected quality of the evaluation that is associated with the agreement.

Under the demonstration project, the Secretary of the Treasury would be authorized (in consultation with the Federal Interagency Council on Social Impact Partnerships and the head of any federal agency administering a similar intervention or serving a population similar to the one described in the project), to enter into an agreement with a state or local government for the social impact partnership project. The Secretary of the Treasury would be authorized to transfer to the head of another federal agency the authority to administer an agreement entered into by the Secretary of the Treasury and any funds necessary to do so. The state or local government would be required to agree to achieve one or more outcomes specified in the agreement. The federal payment for each outcome specified would be required to be less than the value of the outcome to the federal government within a period of up to 10

years; and the duration of the project could not exceed 10 years. Federal payment to the state and local government would be made if an independent evaluator had determined that the project has met the requirements of, and achieved an outcome specified in, the agreement. The Secretary of the Treasury would be required to publish a notice of agreement award not later than 30 days after entering into an agreement.

The independent evaluation used to determine payments to state and local governments for project outcomes would be required to use experimental designs using random assignment, or certain other research methodologies when random assignment is not feasible, that allow for the strongest possible causal inferences. Progress reports would be due from the evaluator within two years of the approval of the project, and biannually thereafter. A report would also be due before the scheduled time of the first outcome payment, as well as a final report within six months of the completion of the social impact partnership project.

To carry out these provisions, the Committee bill would direct the Secretary of the Treasury to reserve \$100 million of amounts made available for the Contingency Fund for State Welfare Programs for FY2017.

Reason for change

There is bipartisan support to use federal funds to pay for programs that produce real results. Groups ranging from conservative think tanks to liberal advocacy organizations have recommended funding programs on a “pay-for-outcomes” basis. States and local governments are testing this strategy now, but without federal participation their ability to pay for outcomes is limited as a substantial amount of funding for social services is provided by the federal government. By allowing the federal government to partner with states and local governments to pay for outcomes, more approaches can be tested and evaluated to determine whether they deliver real results for people in need.

Social impact financing allows the government to contract for the delivery of services, but in a way that prevents those contracting with the government from negotiating contract terms where they would receive payment regardless of results. A key feature of social impact financing is that the government and investors jointly identify objective, quantifiable outcomes that must be met for payment to be made and an independent evaluator determines if the goals are met. By selecting an objective outcome goal instead of some other metric, the government is less likely to pay for things that don’t produce the outcome they are seeking (such as clients served, classes taught, or costs incurred). In addition, the outcome for individuals served will be compared with the outcomes for a control group to confirm the services provided are responsible for producing the outcome.

Social impact financing also aligns the interests of the government, investors, and service providers. In a traditional contract, the government agrees to pay for various inputs, processes, facilities, or services, which encourages providers to increase those factors—regardless of whether they improve the outcome or not. In a social impact financing structure, government only pays if the project achieves the desired outcomes. As a result, investors have a strong

incentive to produce the positive social outcome and manage the project to ensure it succeeds.

Social impact financing is not a way to privatize social services, but a way to improve how social services are funded. Under a social impact financing model, traditional service providers are the ones providing the services. However, instead of government paying for the delivery of these services, investors pay these costs during the life of the project. Service providers are still accountable to the government for achieving results, and investors must still report to the government on their progress toward achieving the project goals. In a Ways and Means Human Resources Subcommittee hearing in September of 2014, one social service provider participating in a social impact contract spoke about the advantages of this type of funding over traditional funding, saying “[r]eceiving these resources upfront, on a quarterly basis, allows CEO to concentrate on providing excellent services and alleviates the burden of fundraising.”²

Some believe government should simply pay for “proven” programs instead of contracting for these services through a social impact mechanism where government only pays if they produce results. However, there are a number of reasons why government may want to fund a “proven” program through social impact financing instead of directly operating the program or using traditional contracts to deliver the service to individuals in need:

1. *Transfer Risk*: By paying only for outcomes, the government can transfer risk to investors. This includes the risk that replicating a program in a new area won’t work, that the program won’t be implemented correctly, or that some external event will limit the program’s impact.

2. *Continue Improvement/Innovation*: When running programs directly or funding them through traditional contracts, governments will implement policies and practices to ensure the program model is followed with fidelity. While this ensures uniformity, it can also keep service providers from innovating in ways that improve the program over time. Under a social impact financing model, investors are continually focused on the performance of the program and have the ability to make ongoing adjustments to ensure the outcomes are realized.

3. *Reduce Bureaucracy*: When the federal government runs a social program directly, they are responsible for developing the program policy and regulations, hiring and managing staff, operating physical facilities where services are delivered, and paying for the delivery of the service itself. When the government runs a program via contract, it must still negotiate each of these same elements with the contractor. However, under a social impact financing model, the government only needs to determine the value of a specific social outcome and agree to pay if it is achieved. Other aspects of the program—the selection of the appropriate intervention, raising funds to operate the project, hiring of staff, managing of facilities, and delivery of program services—can be done by individuals

²Sam Schaeffer, CEO and Executive Director, Center for Employment Opportunities. Testimony before the House Committee on Ways and Means, Subcommittee on Human Resources, September 9, 2014. Available online: http://waysandmeans.house.gov/UploadedFiles/Sam_Schaeffer_Testimony_090914_HR14.pdf.

outside of government, reducing the need for a large government bureaucracy to deliver services.

4. *Provide Predictable Funding for Service Providers:* Under a social impact financing model, investors agree to fund services up front for as long as the project lasts. This allows service providers to make long-term budget plans and focus on delivering high-quality services, instead of devoting time to fundraising or negotiating government budgets on an annual basis.

This proposal has garnered support from dozens of members of the House, Republican and Democrat, and a similar proposal has been included in recent Obama Administration budgets. The approach has garnered over 40 bipartisan House cosponsors, and a companion bill has also been introduced in the Senate by Senators Hatch (R-UT) and Bennett (D-CO). As a result, the Committee believes the federal government should further test this social impact financing approach to help more individuals in need and to ensure taxpayer dollars are only spent when programs deliver results.

To fund social impact partnership projects, the bill reserves \$100 million in FY 2017 from the \$608 million TANF Contingency Fund. The FY 2017 President's Budget recommends repurposing these funds, stating "[t]he current TANF Contingency Fund is not structured in a way that effectively assists states during periods of economic distress. . . . *The Budget proposes to repurpose this funding for demonstrations that will better serve low-income families.*"³ Social impact partnerships will better serve families in need, as federal funds will only be spent on programs and services that have been proved to make a real difference in the lives of those in need.

Effective date

The provision is effective on October 1, 2016.

III. VOTES OF THE COMMITTEE

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means during the markup consideration of H.R. 5170, the "Social Impact Partnerships to Pay for Results Act," on May 11, 2016.

An amendment in the nature of a substitute was offered by Chairman Brady and adopted by voice vote (with a quorum being present).

The vote on the amendment offered by Mr. Doggett to the amendment in the nature of a substitute to H.R. 5170, which would mandate a minimum share of program funding be used for projects benefiting children, was not agreed to by a roll call vote of 15 yeas to 24 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Brady		X	.....	Mr. Levin	X	.....	.....
Mr. Johnson		X	.....	Mr. Rangel	X	.....	.....
Mr. Nunes		X	.....	Mr. McDermott	X	.....	.....
Mr. Tiberi		X	.....	Mr. Lewis	X	.....	.....
Mr. Reichert		X	.....	Mr. Neal	X	.....	.....

³ U.S. Department of Health and Human Services, FY 2017 Budget In Brief. Available online: <http://www.hhs.gov/about/budget/fy2017/budget-in-brief/acf/mandatory/index.html#contingency>.

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Boustany		X	.....	Mr. Becerra	X	.....	.....
Mr. Roskam		X	.....	Mr. Doggett	X	.....	.....
Mr. Price		X	.....	Mr. Thompson	X	.....	.....
Mr. Buchanan		X	.....	Mr. Larson	X	.....	.....
Mr. Smith (NE)		X	.....	Mr. Blumenauer	X	.....	.....
Ms. Jenkins		X	.....	Mr. Kind	X	.....	.....
Mr. Paulsen		X	.....	Mr. Pascrell	X	.....	.....
Mr. Marchant		X	.....	Mr. Crowley	X	.....	.....
Ms. Black		X	.....	Mr. Davis	X	.....	.....
Mr. Reed		X	.....	Ms. Sanchez	X	.....	.....
Mr. Young		X	.....				
Mr. Kelly		X	.....				
Mr. Renacci		X	.....				
Mr. Meehan		X	.....				
Ms. Noem		X	.....				
Mr. Holding		X	.....				
Mr. Smith (MO)		X	.....				
Mr. Dold		X	.....				
Mr. Rice		X	.....				

The bill was ordered favorably reported to the House of Representatives as amended by a voice vote (with a quorum being present).

IV. NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new budget authority or tax expenditure budget authority.

V. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the CBO, the Committee sets forth the following estimate and comparison prepared by the Director of the Congressional Budget Office.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 16, 2016.

Hon. KEVIN BRADY,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5170, the Partnering for Results Act.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Susanne S. Mehlman.

Sincerely,

KEITH HALL.

H.R. 5170—Partnering for Results Act

Summary: H.R. 5170 would amend title IV of the Social Security Act to provide funding to states and local governments to support partnership projects. Such projects would have to identify a social problem that states or localities hope to address, such as improving

high school graduation rates or increasing employment among recipients of disability benefits. Furthermore, the projects would have to be designed by states or localities to produce measurable goals. The legislation also would establish the Federal Interagency Council on Social Impact Partnerships and the Commission on Social Impact Partnerships to assist the Department of the Treasury in implementing the projects. Finally, H.R. 5170 would reserve \$100 million of the \$608 million already appropriated for the Temporary Assistance for Needy Families (TANF) contingency fund in 2017 to support the partnership projects.

CBO estimates that enacting this legislation would reduce direct spending, on net, by \$10 million over the 2017–2026 period. Because enacting the legislation would affect direct spending, pay-as-you-go procedures apply. Enacting H.R. 5170 would not affect revenues. CBO estimates that enacting H.R. 5170 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 5170 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

Estimated cost to the Federal Government: The estimated budgetary effect of this legislation is shown in the following table. The impacts of this legislation fall within budget function 600 (income security).

	By fiscal year, in millions of dollars—												
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017– 2021	2017– 2026	
INCREASES OR DECREASES (–) IN DIRECT SPENDING													
Estimated Budget Authority	– 87	– 3	5	5	5	5	5	10	20	25	– 75	– 10	
Estimated Outlays	– 87	– 3	5	5	5	5	5	10	20	25	– 75	– 10	

Basis of estimate: Under current law, CBO estimates that outlays for the TANF contingency fund for 2017 will total \$608 million over the 2017–2018 period. CBO estimates that the spending associated with the partnership projects, as provided for under the bill, would occur at a slower rate. Of the \$100 million that would be reserved for partnership projects, up to \$10 million could be used for feasibility studies developed by states to apply for project funding; the remaining funds could be used by the Treasury to evaluate the projects and to provide payments to states or localities if the projects meet certain goals. Such funding would be available for 10 years following enactment. Because there is uncertainty as to the extent states conducting the projects will achieve the measureable outcomes required for federal reimbursement, CBO estimates that not all of the funds reserved for the program will be spent. In total, we estimate that enacting this legislation would decrease net direct spending from the contingency fund by \$10 million over the 2017–2026 period.

Pay-As-You-Go considerations: The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO ESTIMATE OF PAY-AS-YOU-GO EFFECTS FOR H.R. 5170 AS ORDERED REPORTED BY THE
HOUSE COMMITTEE ON WAYS AND MEANS ON MAY 11, 2016

	By fiscal year in millions of dollars—														2016– 2021	2016– 2026
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026					
NET INCREASES OR DECREASE (–) IN THE DEFICIT																
Statutory Pay-As-You-Go Im- pact	0	–87	–3	5	5	5	5	5	10	20	25	–75	–10			

Increase in long-term direct spending and deficits: CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

Intergovernmental and private-sector impact: H.R. 5170 contains no intergovernmental or private-sector mandates as defined in the UMRA. Any costs to states associated with the demonstration projects authorized in the bill would be incurred voluntarily as conditions of assistance.

Estimate prepared by: Federal Costs: Susanne S. Mehlman; Impact on State, Local, and Tribal Governments: Leo Lex; Impact on the Private Sector: Paige Piper/Bach.

Estimate approved by: H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.

VI. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee advises that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the description portions of this report.

B. STATEMENT OF GENERAL PERFORMANCE GOALS AND OBJECTIVES

With respect to the requirement of clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the performance goals and objectives of this legislation are to provide federal funding to pay only for social services that deliver results beginning October 1, 2016.

C. APPLICABILITY OF HOUSE RULE XXI 5(b)

Rule XXI 5(b) of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.” The Committee has carefully reviewed the bill, and states that the bill does not involve any Federal income tax rate increases within the meaning of the rule.

D. CONGRESSIONAL EARMARKS, LIMITED TAX BENEFITS, AND
LIMITED TARIFF BENEFITS

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

E. DUPLICATION OF FEDERAL PROGRAMS

In compliance with Sec. 3(g)(2) of H. Res. 5 (114th Congress), the Committee states that no provision of the bill establishes or reauthorizes: (1) a program of the Federal Government known to be duplicative of another Federal program; (2) a program included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111-139; or (3) a program related to a program identified in the most recent Catalog of Federal Domestic Assistance, published pursuant to the Federal Program Information Act (Pub. L. No. 95-220, as amended by Pub. L. No. 98-169).

F. DISCLOSURE OF DIRECTED RULE MAKINGS

In compliance with Sec. 3(i) of H. Res. 5 (114th Congress), the following statement is made concerning directed rule makings: The Committee estimates that the bill requires no directed rule makings within the meaning of such section.

**VII. CHANGES IN EXISTING LAW MADE BY THE BILL, AS
REPORTED**

A. TEXT OF EXISTING LAW AMENDED OR REPEALED BY THE BILL, AS
REPORTED

In compliance with clause 3(e)(1)(A) of rule XIII of the Rules of the House of Representatives, the text of each section proposed to be amended or repealed by the bill, as reported, is shown below:

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e)(1)(A) of rule XIII of the Rules of the House of Representatives, the text of each section proposed to be amended or repealed by the bill, as reported, is shown below:

SOCIAL SECURITY ACT

* * * * *

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

**PART A—BLOCK GRANTS TO STATES FOR TEM-
PORARY ASSISTANCE FOR NEEDY FAMILIES**

* * * * *

SEC. 403. GRANTS TO STATES.**(a) GRANTS.—****(1) FAMILY ASSISTANCE GRANT.—**

(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for fiscal year 2012, a grant in an amount equal to the State family assistance grant.

(B) STATE FAMILY ASSISTANCE GRANT.—The State family assistance grant payable to a State for a fiscal year shall be the amount that bears the same ratio to the amount specified in subparagraph (C) of this paragraph (as in effect just before the enactment of the Welfare Integrity and Data Improvement Act) as the amount required to be paid to the State under this paragraph (as so in effect) for fiscal year 2002 (determined without regard to any reduction pursuant to section 409 or 412(a)(1)) bears to the total amount required to be paid under this paragraph for fiscal year 2002 (as so determined).

(C) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2012 \$16,566,542,000 for grants under this paragraph.

(2) HEALTHY MARRIAGE PROMOTION AND RESPONSIBLE FATHERHOOD GRANTS.—**(A) IN GENERAL.—**

(i) USE OF FUNDS.—Subject to subparagraphs (B), (C), and (E), the Secretary may use the funds made available under subparagraph (D) for the purpose of conducting and supporting research and demonstration projects by public or private entities, and providing technical assistance to States, Indian tribes and tribal organizations, and such other entities as the Secretary may specify that are receiving a grant under another provision of this part.

(ii) LIMITATIONS.—The Secretary may not award funds made available under this paragraph on a non-competitive basis, and may not provide any such funds to an entity for the purpose of carrying out healthy marriage promotion activities or for the purpose of carrying out activities promoting responsible fatherhood unless the entity has submitted to the Secretary an application (or, in the case of an entity seeking funding to carry out healthy marriage promotion activities and activities promoting responsible fatherhood, a combined application that contains assurances that the entity will carry out such activities under separate programs and shall not combine any funds awarded to carry out either such activities) which—

(I) describes—

(aa) how the programs or activities proposed in the application will address, as appropriate, issues of domestic violence; and

(bb) what the applicant will do, to the extent relevant, to ensure that participation in the programs or activities is voluntary, and to

inform potential participants that their participation is voluntary; and

(II) contains a commitment by the entity—

(aa) to not use the funds for any other purpose; and

(bb) to consult with experts in domestic violence or relevant community domestic violence coalitions in developing the programs and activities.

(iii) **HEALTHY MARRIAGE PROMOTION ACTIVITIES.**—In clause (ii), the term “healthy marriage promotion activities” means the following:

(I) Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health.

(II) Education in high schools on the value of marriage, relationship skills, and budgeting.

(III) Marriage education, marriage skills, and relationship skills programs, that may include parenting skills, financial management, conflict resolution, and job and career advancement.

(IV) Pre-marital education and marriage skills training for engaged couples and for couples or individuals interested in marriage.

(V) Marriage enhancement and marriage skills training programs for married couples.

(VI) Divorce reduction programs that teach relationship skills.

(VII) Marriage mentoring programs which use married couples as role models and mentors in at-risk communities.

(VIII) Programs to reduce the disincentives to marriage in means-tested aid programs, if offered in conjunction with any activity described in this subparagraph.

(B) **LIMITATION ON USE OF FUNDS FOR DEMONSTRATION PROJECTS FOR COORDINATION OF PROVISION OF CHILD WELFARE AND TANF SERVICES TO TRIBAL FAMILIES AT RISK OF CHILD ABUSE OR NEGLECT.**—

(i) **IN GENERAL.**—Of the amounts made available under subparagraph (D) for a fiscal year, the Secretary may not award more than \$2,000,000 on a competitive basis to fund demonstration projects designed to test the effectiveness of tribal governments or tribal consortia in coordinating the provision to tribal families at risk of child abuse or neglect of child welfare services and services under tribal programs funded under this part.

(ii) **LIMITATION ON USE OF FUNDS.**—A grant made pursuant to clause (i) to such a project shall not be used for any purpose other than—

(I) to improve case management for families eligible for assistance from such a tribal program;

(II) for supportive services and assistance to tribal children in out-of-home placements and the

tribal families caring for such children, including families who adopt such children; and

(III) for prevention services and assistance to tribal families at risk of child abuse and neglect.

(iii) REPORTS.—The Secretary may require a recipient of funds awarded under this subparagraph to provide the Secretary with such information as the Secretary deems relevant to enable the Secretary to facilitate and oversee the administration of any project for which funds are provided under this subparagraph.

(C) LIMITATION ON USE OF FUNDS FOR ACTIVITIES PROMOTING RESPONSIBLE FATHERHOOD.—

(i) IN GENERAL.—Of the amounts made available under subparagraph (D) for a fiscal year, the Secretary may not award more than \$75,000,000 on a competitive basis to States, territories, Indian tribes and tribal organizations, and public and nonprofit community entities, including religious organizations, for activities promoting responsible fatherhood.

(ii) ACTIVITIES PROMOTING RESPONSIBLE FATHERHOOD.—In this paragraph, the term “activities promoting responsible fatherhood” means the following:

(I) Activities to promote marriage or sustain marriage through activities such as counseling, mentoring, disseminating information about the benefits of marriage and 2-parent involvement for children, enhancing relationship skills, education regarding how to control aggressive behavior, disseminating information on the causes of domestic violence and child abuse, marriage preparation programs, premarital counseling, marital inventories, skills-based marriage education, financial planning seminars, including improving a family’s ability to effectively manage family business affairs by means such as education, counseling, or mentoring on matters related to family finances, including household management, budgeting, banking, and handling of financial transactions and home maintenance, and divorce education and reduction programs, including mediation and counseling.

(II) Activities to promote responsible parenting through activities such as counseling, mentoring, and mediation, disseminating information about good parenting practices, skills-based parenting education, encouraging child support payments, and other methods.

(III) Activities to foster economic stability by helping fathers improve their economic status by providing activities such as work first services, job search, job training, subsidized employment, job retention, job enhancement, and encouraging education, including career-advancing education, dissemination of employment materials, coordination with existing employment services such as wel-

fare-to-work programs, referrals to local employment training initiatives, and other methods.

(IV) Activities to promote responsible fatherhood that are conducted through a contract with a nationally recognized, nonprofit fatherhood promotion organization, such as the development, promotion, and distribution of a media campaign to encourage the appropriate involvement of parents in the life of any child and specifically the issue of responsible fatherhood, and the development of a national clearinghouse to assist States and communities in efforts to promote and support marriage and responsible fatherhood.

(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2012 for expenditure in accordance with this paragraph—

(i) \$75,000,000 for awarding funds for the purpose of carrying out healthy marriage promotion activities; and

(ii) \$75,000,000 for awarding funds for the purpose of carrying out activities promoting responsible fatherhood.

If the Secretary makes an award under subparagraph (B)(i) for fiscal year 2012, the funds for such award shall be taken in equal portion from the amounts appropriated under clauses (i) and (ii).

(E) PREFERENCE.—In awarding funds under this paragraph for fiscal year 2011, the Secretary shall give preference to entities that were awarded funds under this paragraph for any prior fiscal year and that have demonstrated the ability to successfully carry out the programs funded under this paragraph.

(3) SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.—

(A) IN GENERAL.—Each qualifying State shall, subject to subparagraph (F), be entitled to receive from the Secretary—

(i) for fiscal year 1998 a grant in an amount equal to 2.5 percent of the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

(ii) for each of fiscal years 1999, 2000, and 2001, a grant in an amount equal to the sum of—

(I) the amount (if any) required to be paid to the State under this paragraph for the immediately preceding fiscal year; and

(II) 2.5 percent of the sum of—

(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

(bb) the amount (if any) required to be paid to the State under this paragraph for the fis-

cal year preceding the fiscal year for which the grant is to be made.

(B) PRESERVATION OF GRANT WITHOUT INCREASES FOR STATES FAILING TO REMAIN QUALIFYING STATES.—Each State that is not a qualifying State for a fiscal year specified in subparagraph (A)(ii) but was a qualifying State for a prior fiscal year shall, subject to subparagraph (F), be entitled to receive from the Secretary for the specified fiscal year, a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year for which the State was a qualifying State.

(C) QUALIFYING STATE.—

(i) IN GENERAL.—For purposes of this paragraph, a State is a qualifying State for a fiscal year if—

(I) the level of welfare spending per poor person by the State for the immediately preceding fiscal year is less than the national average level of State welfare spending per poor person for such preceding fiscal year; and

(II) the population growth rate of the State (as determined by the Bureau of the Census) for the most recent fiscal year for which information is available exceeds the average population growth rate for all States (as so determined) for such most recent fiscal year.

(ii) STATE MUST QUALIFY IN FISCAL YEAR 1998.—Notwithstanding clause (i), a State shall not be a qualifying State for any fiscal year after 1998 by reason of clause (i) if the State is not a qualifying State for fiscal year 1998 by reason of clause (i).

(iii) CERTAIN STATES DEEMED QUALIFYING STATES.—For purposes of this paragraph, a State is deemed to be a qualifying State for fiscal years 1998, 1999, 2000, and 2001 if—

(I) the level of welfare spending per poor person by the State for fiscal year 1994 is less than 35 percent of the national average level of State welfare spending per poor person for fiscal year 1994; or

(II) the population of the State increased by more than 10 percent from April 1, 1990 to July 1, 1994, according to the population estimates in publication CB94-204 of the Bureau of the Census.

(D) DEFINITIONS.—As used in this paragraph:

(i) LEVEL OF WELFARE SPENDING PER POOR PERSON.—The term “level of State welfare spending per poor person” means, with respect to a State and a fiscal year—

(I) the sum of—

(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

(bb) the amount (if any) paid to the State under this paragraph for the immediately preceding fiscal year; divided by

(II) the number of individuals, according to the 1990 decennial census, who were residents of the State and whose income was below the poverty line.

(ii) NATIONAL AVERAGE LEVEL OF STATE WELFARE SPENDING PER POOR PERSON.—The term “national average level of State welfare spending per poor person” means, with respect to a fiscal year, an amount equal to—

(I) the total amount required to be paid to the States under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; divided by

(II) the number of individuals, according to the 1990 decennial census, who were residents of any State and whose income was below the poverty line.

(iii) STATE.—The term “State” means each of the 50 States of the United States and the District of Columbia.

(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1998, 1999, 2000, and 2001 such sums as are necessary for grants under this paragraph, in a total amount not to exceed \$800,000,000.

(F) GRANTS REDUCED PRO RATA IF INSUFFICIENT APPROPRIATIONS.—If the amount appropriated pursuant to this paragraph for a fiscal year (or portion of a fiscal year) is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year (or portion of the fiscal year), then the amount otherwise payable to any State for the fiscal year (or portion of the fiscal year) under this paragraph shall be reduced by a percentage equal to the amount so appropriated divided by such total amount.

(G) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2001.

(H) REAUTHORIZATION.—Notwithstanding any other provision of this paragraph—

(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for each of fiscal years 2002 and 2003 a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

(ii) subparagraph (G) shall be applied as if “fiscal year 2011” were substituted for “fiscal year 2001”;

(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2002 and 2003 such sums as are necessary for grants under this subparagraph.

(4) BONUS TO REWARD HIGH PERFORMANCE STATES.—

(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State.

(B) AMOUNT OF GRANT.—

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

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

(C) FORMULA FOR MEASURING STATE PERFORMANCE.—Not later than 1 year after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a).

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

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

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

(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals \$200,000,000; and

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

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

(i) BONUS YEAR.—The term “bonus year” means fiscal years 1999, 2000, 2001, 2002, and 2003.

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

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are

appropriated for fiscal years 1999 through 2003 \$1,000,000,000 for grants under this paragraph.
 (5) WELFARE-TO-WORK GRANTS.—

(A) FORMULA GRANTS.—

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

(I) 2 times the total of the expenditures by the State (excluding qualified State expenditures (as defined in section 409(a)(7)(B)(i)) and any expenditure described in subclause (I), (II), or (IV) of section 409(a)(7)(B)(iv)) during the period permitted under subparagraph (C)(vii) of this paragraph for the expenditure of funds under the grant for activities described in subparagraph (C)(i) of this paragraph; or

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

(ii) WELFARE-TO-WORK STATE.—A State shall be considered a welfare-to-work State for a fiscal year for purposes of this paragraph if the Secretary of Labor determines that the State meets the following requirements:

(I) The State has submitted to the Secretary of Labor and the Secretary of Health and Human Services (in the form of an addendum to the State plan submitted under section 402) a plan which—

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

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

(cc) contains evidence that the plan was developed in consultation and coordination with appropriate entities in sub-State areas;

(dd) contains assurances by the Governor of the State that the private industry council (and any alternate agency designated by the Governor under item (ee)) for a service delivery area in the State will coordinate the expenditure of any funds provided under this subparagraph for the benefit of the service delivery area with the expenditure of the funds provided to the State under section 403(a)(1);

(ee) if the Governor of the State desires to have an agency other than a private industry council administer the funds provided under this subparagraph for the benefit of 1 or more service delivery areas in the State, contains an application to the Secretary of Labor for a

waiver of clause (vii)(I) with respect to the area or areas in order to permit an alternate agency designated by the Governor to so administer the funds; and

(ff) describes how the State will ensure that a private industry council to which information is disclosed pursuant to section 403(a)(5)(K) or 454A(f)(5) has procedures for safeguarding the information and for ensuring that the information is used solely for the purpose described in that section.

(II) The State has provided to the Secretary of Labor an estimate of the amount that the State intends to expend during the period permitted under subparagraph (C)(vii) of this paragraph for the expenditure of funds under the grant (excluding expenditures described in section 409(a)(7)(B)(iv) (other than subclause (III) thereof)) pursuant to this paragraph.

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

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

(V) The State certifies that qualified State expenditures (within the meaning of section 409(a)(7)) for the fiscal year will be not less than the applicable percentage of historic State expenditures (within the meaning of section 409(a)(7)) with respect to the fiscal year.

(iii) ALLOTMENTS TO WELFARE-TO-WORK STATES.—

(I) IN GENERAL.—Subject to this clause, the allotment of a welfare-to-work State for a fiscal year shall be the available amount for the fiscal year, multiplied by the State percentage for the fiscal year.

(II) MINIMUM ALLOTMENT.—The allotment of a welfare-to-work State (other than Guam, the Virgin Islands, or American Samoa) for a fiscal year shall not be less than 0.25 percent of the available amount for the fiscal year.

(III) PRO RATA REDUCTION.—Subject to subclause (II), the Secretary of Labor shall make pro rata reductions in the allotments to States under this clause for a fiscal year as necessary to ensure that the total of the allotments does not exceed the available amount for the fiscal year.

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

(I) 75 percent of the sum of—

(aa) the amount specified in subparagraph

(H) for the fiscal year, minus the total of the

amounts reserved pursuant to subparagraphs (E), (F), and (G) for the fiscal year; and

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

(II) any available amount for the immediately preceding fiscal year that has not been obligated by a State, other than funds reserved by the State for distribution under clause (vi)(III) and funds distributed pursuant to clause (vi)(I) in any State in which the service delivery area is the State.

(v) STATE PERCENTAGE.—As used in clause (iii), the term “State percentage” means, with respect to a fiscal year, $\frac{1}{2}$ of the sum of—

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

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

(vi) PROCEDURE FOR DISTRIBUTION OF FUNDS WITHIN STATES.—

(I) ALLOCATION FORMULA.—A State to which a grant is made under this subparagraph shall devise a formula for allocating not less than 85 percent of the amount of the grant among the service delivery areas in the State, which—

(aa) determines the amount to be allocated for the benefit of a service delivery area in proportion to the number (if any) by which the population of the area with an income that is less than the poverty line exceeds 7.5 percent of the total population of the area, relative to such number for all such areas in the State with such an excess, and accords a weight of not less than 50 percent to this factor;

(bb) may determine the amount to be allocated for the benefit of such an area in proportion to the number of adults residing in the area who have been recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first applied to the State) for at least 30 months (whether or not consecutive) relative to the number of such adults residing in the State; and

(cc) may determine the amount to be allocated for the benefit of such an area in pro-

portion to the number of unemployed individuals residing in the area relative to the number of such individuals residing in the State.

(II) DISTRIBUTION OF FUNDS.—

(aa) IN GENERAL.—If the amount allocated by the formula to a service delivery area is at least \$100,000, the State shall distribute the amount to the entity administering the grant in the area.

(bb) SPECIAL RULE.—If the amount allocated by the formula to a service delivery area is less than \$100,000, the sum shall be available for distribution in the State under subclause (III) during the fiscal year.

(III) PROJECTS TO HELP LONG-TERM RECIPIENTS OF ASSISTANCE ENTER UNSUBSIDIZED JOBS.—The Governor of a State to which a grant is made under this subparagraph may distribute not more than 15 percent of the grant funds (plus any amount required to be distributed under this subclause by reason of subclause (II)(bb)) to projects that appear likely to help long-term recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first applied to the State) enter unsubsidized employment.

(vii) ADMINISTRATION.—

(I) PRIVATE INDUSTRY COUNCILS.—The private industry council for a service delivery area in a State shall have sole authority, in coordination with the chief elected official (as defined in section 3 of the Workforce Innovation and Opportunity Act) of the area, to expend the amounts distributed under clause (vi)(II)(aa) for the benefit of the service delivery area, in accordance with the assurances described in clause (ii)(I)(dd) provided by the Governor of the State.

(II) ENFORCEMENT OF COORDINATION OF EXPENDITURES WITH OTHER EXPENDITURES UNDER THIS PART.—Notwithstanding subclause (I) of this clause, on a determination by the Governor of a State that a private industry council (or an alternate agency described in clause (ii)(I)(dd)) has used funds provided under this subparagraph in a manner inconsistent with the assurances described in clause (ii)(I)(dd)—

(aa) the private industry council (or such alternate agency) shall remit the funds to the Governor; and

(bb) the Governor shall apply to the Secretary of Labor for a waiver of subclause (I) of this clause with respect to the service delivery area or areas involved in order to permit an

alternate agency designated by the Governor to administer the funds in accordance with the assurances.

(III) AUTHORITY TO PERMIT USE OF ALTERNATE ADMINISTERING AGENCY.—The Secretary of Labor shall approve an application submitted under clause (ii)(I)(ee) or subclause (II)(bb) of this clause to waive subclause (I) of this clause with respect to 1 or more service delivery areas if the Secretary determines that the alternate agency designated in the application would improve the effectiveness or efficiency of the administration of amounts distributed under clause (vi)(II)(aa) for the benefit of the area or areas.

(viii) DATA TO BE USED IN DETERMINING THE NUMBER OF ADULT TANF RECIPIENTS.—For purposes of this subparagraph, the number of adult recipients of assistance under a State program funded under this part for a fiscal year shall be determined using data for the most recent 12-month period for which such data is available before the beginning of the fiscal year.

(ix) REVERSION OF UNALLOTTED FORMULA FUNDS.—If at the end of any fiscal year any funds available under this subparagraph have not been allotted due to a determination by the Secretary that any State has not met the requirements of clause (ii), such funds shall be transferred to the General Fund of the Treasury of the United States.

(B) COMPETITIVE GRANTS.—

(i) IN GENERAL.—The Secretary of Labor shall award grants in accordance with this subparagraph, in fiscal years 1998 and 1999, for projects proposed by eligible applicants, based on the following:

(I) The effectiveness of the proposal in—

(aa) expanding the base of knowledge about programs aimed at moving recipients of assistance under State programs funded under this part who are least job ready into unsubsidized employment.

(bb) moving recipients of assistance under State programs funded under this part who are least job ready into unsubsidized employment; and

(cc) moving recipients of assistance under State programs funded under this part who are least job ready into unsubsidized employment, even in labor markets that have a shortage of low-skill jobs.

(II) At the discretion of the Secretary of Labor, any of the following:

(aa) The history of success of the applicant in moving individuals with multiple barriers into work.

(bb) Evidence of the applicant's ability to leverage private, State, and local resources.

(cc) Use by the applicant of State and local resources beyond those required by subparagraph (A).

(dd) Plans of the applicant to coordinate with other organizations at the local and State level.

(ee) Use by the applicant of current or former recipients of assistance under a State program funded under this part as mentors, case managers, or service providers.

(ii) ELIGIBLE APPLICANTS.—As used in clause (i), the term “eligible applicant” means a private industry council for a service delivery area in a State, a political subdivision of a State, or a private entity applying in conjunction with the private industry council for such a service delivery area or with such a political subdivision, that submits a proposal developed in consultation with the Governor of the State.

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

(iv) CONSIDERATION OF NEEDS OF RURAL AREAS AND CITIES WITH LARGE CONCENTRATIONS OF POVERTY.—In making grants under this subparagraph, the Secretary of Labor shall consider the needs of rural areas and cities with large concentrations of residents with an income that is less than the poverty line.

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

(I) 25 percent of the sum of—

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

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

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

(C) LIMITATIONS ON USE OF FUNDS.—

(i) ALLOWABLE ACTIVITIES.—An entity to which funds are provided under this paragraph shall use the funds to move individuals into and keep individuals in

lasting unsubsidized employment by means of any of the following:

(I) The conduct and administration of community service or work experience programs.

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

(III) On-the-job training.

(IV) Contracts with public or private providers of readiness, placement, and post-employment services, or if the entity is not a private industry council or workforce investment board, the direct provision of such services.

(V) Job vouchers for placement, readiness, and postemployment services.

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

(VII) Not more than 6 months of vocational educational or job training.

Contracts or vouchers for job placement services supported by such funds must require that at least $\frac{1}{2}$ of the payment occur after an eligible individual placed into the workforce has been in the workforce for 6 months.

(ii) GENERAL ELIGIBILITY.—An entity that operates a project with funds provided under this paragraph may expend funds provided to the project for the benefit of recipients of assistance under the program funded under this part of the State in which the entity is located who—

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

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

(iii) NONCUSTODIAL PARENTS.—An entity that operates a project with funds provided under this paragraph may use the funds to provide services in a form described in clause (i) to noncustodial parents with respect to whom the requirements of the following subclauses are met:

(I) The noncustodial parent is unemployed, underemployed, or having difficulty in paying child support obligations.

(II) At least 1 of the following applies to a minor child of the noncustodial parent (with preference in the determination of the noncustodial parents to be provided services under this paragraph to be

provided by the entity to those noncustodial parents with minor children who meet, or who have custodial parents who meet, the requirements of item (aa)):

(aa) The minor child or the custodial parent of the minor child meets the requirements of subclause (I) or (II) of clause (ii).

(bb) The minor child is eligible for, or is receiving, benefits under the program funded under this part.

(cc) The minor child received benefits under the program funded under this part in the 12-month period preceding the date of the determination but no longer receives such benefits.

(dd) The minor child is eligible for, or is receiving, assistance under the Food and Nutrition Act of 2008, benefits under the supplemental security income program under title XVI of this Act, medical assistance under title XIX of this Act, or child health assistance under title XXI of this Act.

(III) In the case of a noncustodial parent who becomes enrolled in the project on or after the date of the enactment of this clause, the noncustodial parent is in compliance with the terms of an oral or written personal responsibility contract entered into among the noncustodial parent, the entity, and (unless the entity demonstrates to the Secretary that the entity is not capable of coordinating with such agency) the agency responsible for administering the State plan under part D, which was developed taking into account the employment and child support status of the noncustodial parent, which was entered into not later than 30 (or, at the option of the entity, not later than 90) days after the noncustodial parent was enrolled in the project, and which, at a minimum, includes the following:

(aa) A commitment by the noncustodial parent to cooperate, at the earliest opportunity, in the establishment of the paternity of the minor child, through voluntary acknowledgment or other procedures, and in the establishment of a child support order.

(bb) A commitment by the noncustodial parent to cooperate in the payment of child support for the minor child, which may include a modification of an existing support order to take into account the ability of the noncustodial parent to pay such support and the participation of such parent in the project.

(cc) A commitment by the noncustodial parent to participate in employment or related activities that will enable the noncustodial parent to make regular child support pay-

ments, and if the noncustodial parent has not attained 20 years of age, such related activities may include completion of high school, a general equivalency degree, or other education directly related to employment.

(dd) A description of the services to be provided under this paragraph, and a commitment by the noncustodial parent to participate in such services, that are designed to assist the noncustodial parent obtain and retain employment, increase earnings, and enhance the financial and emotional contributions to the well-being of the minor child.

In order to protect custodial parents and children who may be at risk of domestic violence, the preceding provisions of this subclause shall not be construed to affect any other provision of law requiring a custodial parent to cooperate in establishing the paternity of a child or establishing or enforcing a support order with respect to a child, or entitling a custodial parent to refuse, for good cause, to provide such cooperation as a condition of assistance or benefit under any program, shall not be construed to require such cooperation by the custodial parent as a condition of participation of either parent in the program authorized under this paragraph, and shall not be construed to require a custodial parent to cooperate with or participate in any activity under this clause. The entity operating a project under this clause with funds provided under this paragraph shall consult with domestic violence prevention and intervention organizations in the development of the project.

(iv) **TARGETING OF HARD TO EMPLOY INDIVIDUALS WITH CHARACTERISTICS ASSOCIATED WITH LONG-TERM WELFARE DEPENDENCE.**—An entity that operates a project with funds provided under this paragraph may expend not more than 30 percent of all funds provided to the project for programs that provide assistance in a form described in clause (i)—

(I) to recipients of assistance under the program funded under this part of the State in which the entity is located who have characteristics associated with long-term welfare dependence (such as school dropout, teen pregnancy, or poor work history), including, at the option of the State, by providing assistance in such form as a condition of receiving assistance under the State program funded under this part;

(II) to children—

(aa) who have attained 18 years of age but not 25 years of age; and

(bb) who, before attaining 18 years of age, were recipients of foster care maintenance

payments (as defined in section 475(4)) under part E or were in foster care under the responsibility of a State;

(III) to recipients of assistance under the State program funded under this part, determined to have significant barriers to self-sufficiency, pursuant to criteria established by the local private industry council; or

(IV) to custodial parents with incomes below 100 percent of the poverty line (as defined in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section, applicable to a family of the size involved).

To the extent that the entity does not expend such funds in accordance with the preceding sentence, the entity shall expend such funds in accordance with clauses (ii) and (iii) and, as appropriate, clause (v).

(v) AUTHORITY TO PROVIDE WORK-RELATED SERVICES TO INDIVIDUALS WHO HAVE REACHED THE 5 YEAR LIMIT.—An entity that operates a project with funds provided under this paragraph may use the funds to provide assistance in a form described in clause (i) of this subparagraph to, or for the benefit of, individuals who (but for section 408(a)(7)) would be eligible for assistance under the program funded under this part of the State in which the entity is located.

(vi) RELATIONSHIP TO OTHER PROVISIONS OF THIS PART.—

(I) RULES GOVERNING USE OF FUNDS.—The rules of section 404, other than subsections (b), (f), and (h) of section 404, shall not apply to a grant made under this paragraph.

(II) RULES GOVERNING PAYMENTS TO STATES.—The Secretary of Labor shall carry out the functions otherwise assigned by section 405 to the Secretary of Health and Human Services with respect to the grants payable under this paragraph.

(III) ADMINISTRATION.—Section 416 shall not apply to the programs under this paragraph.

(vii) PROHIBITION AGAINST USE OF GRANT FUNDS FOR ANY OTHER FUND MATCHING REQUIREMENT.—An entity to which funds are provided under this paragraph shall not use any part of the funds, nor any part of State expenditures made to match the funds, to fulfill any obligation of any State, political subdivision, or private industry council to contribute funds under section 403(b) or 418 or any other provision of this Act or other Federal law.

(viii) DEADLINE FOR EXPENDITURE.—An entity to which funds are provided under this paragraph shall remit to the Secretary of Labor any part of the funds that are not expended within 5 years after the date the funds are so provided.

(ix) REGULATIONS.—Within 90 days after the date of the enactment of this paragraph, the Secretary of Labor, after consultation with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, shall prescribe such regulations as may be necessary to implement this paragraph.

(x) REPORTING REQUIREMENTS.—The Secretary of Labor, in consultation with the Secretary of Health and Human Services, States, and organizations that represent State or local governments, shall establish requirements for the collection and maintenance of financial and participant information and the reporting of such information by entities carrying out activities under this paragraph.

(D) DEFINITIONS.—

(i) INDIVIDUALS WITH INCOME LESS THAN THE POVERTY LINE.—For purposes of this paragraph, the number of individuals with an income that is less than the poverty line shall be determined for a fiscal year—

(I) based on the methodology used by the Bureau of the Census to produce and publish intercensal poverty data for States and counties (or, in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa, other poverty data selected by the Secretary of Labor); and

(II) using data for the most recent year for which such data is available before the beginning of the fiscal year.

(ii) PRIVATE INDUSTRY COUNCIL.—As used in this paragraph, the term “private industry council” means, with respect to a service delivery area, the private industry council or local workforce development board established for the local workforce development area pursuant to title I of the Workforce Innovation and Opportunity Act, as appropriate.

(iii) SERVICE DELIVERY AREA.—As used in this paragraph, the term “service delivery area” shall have the meaning given such term for purposes of the Job Training Partnership Act or.

(E) FUNDING FOR INDIAN TRIBES.—1 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$15,000,000 of the amount so specified for fiscal year 1999 shall be reserved for grants to Indian tribes under section 412(a)(3).

(F) FUNDING FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—0.6 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$9,000,000 of the amount so specified for fiscal year 1999 shall be reserved for use by the Secretary to carry out section 413(j).

(G) FUNDING FOR EVALUATION OF ABSTINENCE EDUCATION PROGRAMS.—

(i) IN GENERAL.—0.2 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$3,000,000 of the amount so specified for fiscal year

1999 shall be reserved for use by the Secretary to evaluate programs under section 510, directly or through grants, contracts, or interagency agreements.

(ii) **AUTHORITY TO USE FUNDS FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.**—Any such amount not required for such evaluations shall be available for use by the Secretary to carry out section 413(j).

(iii) **DEADLINE FOR OUTLAYS.**—Outlays from funds used pursuant to clause (i) for evaluation of programs under section 510 shall not be made after fiscal year 2005.

(iv) **INTERIM REPORT.**—Not later than January 1, 2002, the Secretary shall submit to the Congress an interim report on the evaluations referred to in clause (i).

(H) APPROPRIATIONS.—

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

(I) \$1,500,000,000 for fiscal year 1998; and

(II) \$1,400,000,000 for fiscal year 1999.

(ii) **AVAILABILITY.**—The amounts made available pursuant to clause (i) shall remain available for such period as is necessary to make the grants provided for in this paragraph.

(I) WORKER PROTECTIONS.—

(i) **NONDISPLACEMENT IN WORK ACTIVITIES.**—

(I) **GENERAL PROHIBITION.**—Subject to this clause, an adult in a family receiving assistance attributable to funds provided under this paragraph may fill a vacant employment position in order to engage in a work activity.

(II) **PROHIBITION AGAINST VIOLATION OF CONTRACTS.**—A work activity engaged in under a program operated with funds provided under this paragraph shall not violate an existing contract for services or a collective bargaining agreement, and such a work activity that would violate a collective bargaining agreement shall not be undertaken without the written concurrence of the labor organization and employer concerned.

(III) **OTHER PROHIBITIONS.**—An adult participant in a work activity engaged in under a program operated with funds provided under this paragraph shall not be employed or assigned—

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

(bb) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction in its workforce with the intention of filling the vacancy so created with the participant; or

(cc) if the employer has caused an involuntary reduction to less than full time in hours

of any employee in the same or a substantially equivalent job.

(ii) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of other participants engaged in a work activity under a program operated with funds provided under this paragraph.

(iii) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in section 408(c), an individual may not be discriminated against by reason of gender with respect to participation in work activities engaged in under a program operated with funds provided under this paragraph.

(iv) GRIEVANCE PROCEDURE.—

(I) IN GENERAL.—Each State to which a grant is made under this paragraph shall establish and maintain a procedure for grievances or complaints from employees alleging violations of clause (i) and participants in work activities alleging violations of clause (i), (ii), or (iii).

(II) HEARING.—The procedure shall include an opportunity for a hearing.

(III) REMEDIES.—The procedure shall include remedies for violation of clause (i), (ii), or (iii), which may continue during the pendency of the procedure, and which may include—

(aa) suspension or termination of payments from funds provided under this paragraph;

(bb) prohibition of placement of a participant with an employer that has violated clause (i), (ii), or (iii);

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

(dd) where appropriate, other equitable relief.

(IV) APPEALS.—

(aa) FILING.—Not later than 30 days after a grievant or complainant receives an adverse decision under the procedure established pursuant to subclause (I), the grievant or complainant may appeal the decision to a State agency designated by the State which shall be independent of the State or local agency that is administering the programs operated with funds provided under this paragraph and the State agency administering, or supervising the administration of, the State program funded under this part.

(bb) FINAL DETERMINATION.—Not later than 120 days after the State agency designated under item (aa) receives a grievance or com-

plaint made under the procedure established by a State pursuant to subclause (I), the State agency shall make a final determination on the appeal.

(v) RULE OF INTERPRETATION.—This subparagraph shall not be construed to affect the authority of a State to provide or require workers' compensation.

(vi) NONPREEMPTION OF STATE LAW.—The provisions of this subparagraph shall not be construed to preempt any provision of State law that affords greater protections to employees or to other participants engaged in work activities under a program funded under this part than is afforded by such provisions of this subparagraph.

(J) INFORMATION DISCLOSURE.—If a State to which a grant is made under section 403 establishes safeguards against the use or disclosure of information about applicants or recipients of assistance under the State program funded under this part, the safeguards shall not prevent the State agency administering the program from furnishing to a private industry council the names, addresses, telephone numbers, and identifying case number information in the State program funded under this part, of non-custodial parents residing in the service delivery area of the private industry council, for the purpose of identifying and contacting noncustodial parents regarding participation in the program under this paragraph.

(b) CONTINGENCY FUND.—

(1) ESTABLISHMENT.—There is hereby established in the Treasury of the United States a fund which shall be known as the "Contingency Fund for State Welfare Programs" (in this section referred to as the "Fund").

(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 2013 and 2014 such sums as are necessary for payment to the Fund in a total amount not to exceed \$612,000,000 for each fiscal year, of which \$2,000,000 shall be reserved for carrying out the activities of the commission established by the Protect our Kids Act of 2012 to reduce fatalities resulting from child abuse and neglect.

(3) GRANTS.—

(A) PROVISIONAL PAYMENTS.—If an eligible State submits to the Secretary a request for funds under this paragraph during an eligible month, the Secretary shall, subject to this paragraph, pay to the State, from amounts appropriated pursuant to paragraph (2), an amount equal to the amount of funds so requested.

(B) PAYMENT PRIORITY.—The Secretary shall make payments under subparagraph (A) in the order in which the Secretary receives requests for such payments.

(C) LIMITATIONS.—

(i) MONTHLY PAYMENT TO A STATE.—The total amount paid to a single State under subparagraph (A) during a month shall not exceed $\frac{1}{12}$ of 20 percent of the State family assistance grant.

(ii) PAYMENTS TO ALL STATES.—The total amount paid to all States under subparagraph (A) during fiscal year 2011 and 2012, respectively, shall not exceed the total amount appropriated pursuant to paragraph (2) for each such fiscal year.

(4) ELIGIBLE MONTH.—As used in paragraph (3)(A), the term “eligible month” means, with respect to a State, a month in the 2-month period that begins with any month for which the State is a needy State.

(5) NEEDY STATE.—For purposes of paragraph (4), a State is a needy State for a month if—

(A) the average rate of—

(i) total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published equals or exceeds 6.5 percent; and

(ii) total unemployment in such State (seasonally adjusted) for the 3-month period equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; or

(B) as determined by the Secretary of Agriculture (in the discretion of the Secretary of Agriculture), the monthly average number of individuals (as of the last day of each month) participating in the supplemental nutrition assistance program in the State in the then most recently concluded 3-month period for which data are available exceeds by not less than 10 percent the lesser of—

(i) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the supplemental nutrition assistance program in the corresponding 3-month period in fiscal year 1994 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1994; or

(ii) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the supplemental nutrition assistance program in the corresponding 3-month period in fiscal year 1995 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1995.

(6) ANNUAL RECONCILIATION.—

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

(i) the total amount paid to the State under paragraph (3) of this subsection in the fiscal year; exceeds

(ii) the product of—

(I) the Federal medical assistance percentage for the State (as defined in section 1905(b), as such section was in effect on September 30, 1995);

(II) the State's reimbursable expenditures for the fiscal year; and

(III) $\frac{1}{12}$ times the number of months during the fiscal year for which the Secretary made a payment to the State under such paragraph (3).

(B) DEFINITIONS.—As used in subparagraph (A):

(i) REIMBURSABLE EXPENDITURES.—The term “reimbursable expenditures” means, with respect to a State and a fiscal year, the amount (if any) by which—

(I) countable State expenditures for the fiscal year; exceeds

(II) historic State expenditures (as defined in section 409(a)(7)(B)(iii)), excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994.

(ii) COUNTABLE STATE EXPENDITURES.—The term “countable expenditures” means, with respect to a State and a fiscal year—

(I) the qualified State expenditures (as defined in section 409(a)(7)(B)(i) (other than the expenditures described in subclause (I)(bb) of such section)) under the State program funded under this part for the fiscal year; plus

(II) any amount paid to the State under paragraph (3) during the fiscal year that is expended by the State under the State program funded under this part.

(C) ADJUSTMENT OF STATE REMITTANCES.—

(i) IN GENERAL.—The amount otherwise required by subparagraph (A) to be remitted by a State for a fiscal year shall be increased by the lesser of—

(I) the total adjustment for the fiscal year, multiplied by the adjustment percentage for the State for the fiscal year; or

(II) the unadjusted net payment to the State for the fiscal year.

(ii) TOTAL ADJUSTMENT.—As used in clause (i), the term “total adjustment” means—

(I) in the case of fiscal year 1998, \$2,000,000;

(II) in the case of fiscal year 1999, \$9,000,000;

(III) in the case of fiscal year 2000, \$16,000,000;

and

(IV) in the case of fiscal year 2001, \$13,000,000.

(iii) ADJUSTMENT PERCENTAGE.—As used in clause (i), the term “adjustment percentage” means, with respect to a State and a fiscal year—

(I) the unadjusted net payment to the State for the fiscal year; divided by

(II) the sum of the unadjusted net payments to all States for the fiscal year.

(iv) UNADJUSTED NET PAYMENT.—As used in this subparagraph, the term, “unadjusted net payment” means with respect to a State and a fiscal year—

(I) the total amount paid to the State under paragraph (3) in the fiscal year; minus

(II) the amount that, in the absence of this subparagraph, would be required by subparagraph (A) or by section 409(a)(10) to be remitted by the State in respect of the payment.

(7) STATE DEFINED.—As used in this subsection, the term “State” means each of the 50 States and the District of Columbia.

(8) ANNUAL REPORTS.—The Secretary shall annually report to the Congress on the status of the Fund.

* * * * *

B. CHANGES IN EXISTING LAW PROPOSED BY THE BILL, AS REPORTED

In compliance with clause 3(e)(1)(B) of rule XIII of the Rules of the House of Representatives, changes in existing law proposed by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e)(1)(B) of rule XIII of the Rules of the House of Representatives, changes in existing law proposed by the bill, as reported, are shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

SOCIAL SECURITY ACT

* * * * *

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

PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

* * * * *

SEC. 403. GRANTS TO STATES.

(a) GRANTS.—

(1) FAMILY ASSISTANCE GRANT.—

(A) IN GENERAL.—Each eligible State shall be entitled to receive from the Secretary, for fiscal year 2012, a grant in an amount equal to the State family assistance grant.

(B) STATE FAMILY ASSISTANCE GRANT.—The State family assistance grant payable to a State for a fiscal year shall be the amount that bears the same ratio to the amount specified in subparagraph (C) of this paragraph (as in effect just before the enactment of the Welfare Integrity and

Data Improvement Act) as the amount required to be paid to the State under this paragraph (as so in effect) for fiscal year 2002 (determined without regard to any reduction pursuant to section 409 or 412(a)(1)) bears to the total amount required to be paid under this paragraph for fiscal year 2002 (as so determined).

(C) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2012 \$16,566,542,000 for grants under this paragraph.

(2) HEALTHY MARRIAGE PROMOTION AND RESPONSIBLE FATHERHOOD GRANTS.—

(A) IN GENERAL.—

(i) USE OF FUNDS.—Subject to subparagraphs (B), (C), and (E), the Secretary may use the funds made available under subparagraph (D) for the purpose of conducting and supporting research and demonstration projects by public or private entities, and providing technical assistance to States, Indian tribes and tribal organizations, and such other entities as the Secretary may specify that are receiving a grant under another provision of this part.

(ii) LIMITATIONS.—The Secretary may not award funds made available under this paragraph on a non-competitive basis, and may not provide any such funds to an entity for the purpose of carrying out healthy marriage promotion activities or for the purpose of carrying out activities promoting responsible fatherhood unless the entity has submitted to the Secretary an application (or, in the case of an entity seeking funding to carry out healthy marriage promotion activities and activities promoting responsible fatherhood, a combined application that contains assurances that the entity will carry out such activities under separate programs and shall not combine any funds awarded to carry out either such activities) which—

(I) describes—

(aa) how the programs or activities proposed in the application will address, as appropriate, issues of domestic violence; and

(bb) what the applicant will do, to the extent relevant, to ensure that participation in the programs or activities is voluntary, and to inform potential participants that their participation is voluntary; and

(II) contains a commitment by the entity—

(aa) to not use the funds for any other purpose; and

(bb) to consult with experts in domestic violence or relevant community domestic violence coalitions in developing the programs and activities.

(iii) HEALTHY MARRIAGE PROMOTION ACTIVITIES.—In clause (ii), the term “healthy marriage promotion activities” means the following:

(I) Public advertising campaigns on the value of marriage and the skills needed to increase marital stability and health.

(II) Education in high schools on the value of marriage, relationship skills, and budgeting.

(III) Marriage education, marriage skills, and relationship skills programs, that may include parenting skills, financial management, conflict resolution, and job and career advancement.

(IV) Pre-marital education and marriage skills training for engaged couples and for couples or individuals interested in marriage.

(V) Marriage enhancement and marriage skills training programs for married couples.

(VI) Divorce reduction programs that teach relationship skills.

(VII) Marriage mentoring programs which use married couples as role models and mentors in at-risk communities.

(VIII) Programs to reduce the disincentives to marriage in means-tested aid programs, if offered in conjunction with any activity described in this subparagraph.

(B) LIMITATION ON USE OF FUNDS FOR DEMONSTRATION PROJECTS FOR COORDINATION OF PROVISION OF CHILD WELFARE AND TANF SERVICES TO TRIBAL FAMILIES AT RISK OF CHILD ABUSE OR NEGLECT.—

(i) IN GENERAL.—Of the amounts made available under subparagraph (D) for a fiscal year, the Secretary may not award more than \$2,000,000 on a competitive basis to fund demonstration projects designed to test the effectiveness of tribal governments or tribal consortia in coordinating the provision to tribal families at risk of child abuse or neglect of child welfare services and services under tribal programs funded under this part.

(ii) LIMITATION ON USE OF FUNDS.—A grant made pursuant to clause (i) to such a project shall not be used for any purpose other than—

(I) to improve case management for families eligible for assistance from such a tribal program;

(II) for supportive services and assistance to tribal children in out-of-home placements and the tribal families caring for such children, including families who adopt such children; and

(III) for prevention services and assistance to tribal families at risk of child abuse and neglect.

(iii) REPORTS.—The Secretary may require a recipient of funds awarded under this subparagraph to provide the Secretary with such information as the Secretary deems relevant to enable the Secretary to facilitate and oversee the administration of any project for which funds are provided under this subparagraph.

(C) LIMITATION ON USE OF FUNDS FOR ACTIVITIES PROMOTING RESPONSIBLE FATHERHOOD.—

(i) IN GENERAL.—Of the amounts made available under subparagraph (D) for a fiscal year, the Secretary may not award more than \$75,000,000 on a competitive basis to States, territories, Indian tribes and tribal organizations, and public and nonprofit community entities, including religious organizations, for activities promoting responsible fatherhood.

(ii) ACTIVITIES PROMOTING RESPONSIBLE FATHERHOOD.—In this paragraph, the term “activities promoting responsible fatherhood” means the following:

(I) Activities to promote marriage or sustain marriage through activities such as counseling, mentoring, disseminating information about the benefits of marriage and 2-parent involvement for children, enhancing relationship skills, education regarding how to control aggressive behavior, disseminating information on the causes of domestic violence and child abuse, marriage preparation programs, premarital counseling, marital inventories, skills-based marriage education, financial planning seminars, including improving a family’s ability to effectively manage family business affairs by means such as education, counseling, or mentoring on matters related to family finances, including household management, budgeting, banking, and handling of financial transactions and home maintenance, and divorce education and reduction programs, including mediation and counseling.

(II) Activities to promote responsible parenting through activities such as counseling, mentoring, and mediation, disseminating information about good parenting practices, skills-based parenting education, encouraging child support payments, and other methods.

(III) Activities to foster economic stability by helping fathers improve their economic status by providing activities such as work first services, job search, job training, subsidized employment, job retention, job enhancement, and encouraging education, including career-advancing education, dissemination of employment materials, coordination with existing employment services such as welfare-to-work programs, referrals to local employment training initiatives, and other methods.

(IV) Activities to promote responsible fatherhood that are conducted through a contract with a nationally recognized, nonprofit fatherhood promotion organization, such as the development, promotion, and distribution of a media campaign to encourage the appropriate involvement of parents in the life of any child and specifically the issue of responsible fatherhood, and the development of a national clearinghouse to assist States

and communities in efforts to promote and support marriage and responsible fatherhood.

(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2012 for expenditure in accordance with this paragraph—

(i) \$75,000,000 for awarding funds for the purpose of carrying out healthy marriage promotion activities; and

(ii) \$75,000,000 for awarding funds for the purpose of carrying out activities promoting responsible fatherhood.

If the Secretary makes an award under subparagraph (B)(i) for fiscal year 2012, the funds for such award shall be taken in equal portion from the amounts appropriated under clauses (i) and (ii).

(E) PREFERENCE.—In awarding funds under this paragraph for fiscal year 2011, the Secretary shall give preference to entities that were awarded funds under this paragraph for any prior fiscal year and that have demonstrated the ability to successfully carry out the programs funded under this paragraph.

(3) SUPPLEMENTAL GRANT FOR POPULATION INCREASES IN CERTAIN STATES.—

(A) IN GENERAL.—Each qualifying State shall, subject to subparagraph (F), be entitled to receive from the Secretary—

(i) for fiscal year 1998 a grant in an amount equal to 2.5 percent of the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

(ii) for each of fiscal years 1999, 2000, and 2001, a grant in an amount equal to the sum of—

(I) the amount (if any) required to be paid to the State under this paragraph for the immediately preceding fiscal year; and

(II) 2.5 percent of the sum of—

(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

(bb) the amount (if any) required to be paid to the State under this paragraph for the fiscal year preceding the fiscal year for which the grant is to be made.

(B) PRESERVATION OF GRANT WITHOUT INCREASES FOR STATES FAILING TO REMAIN QUALIFYING STATES.—Each State that is not a qualifying State for a fiscal year specified in subparagraph (A)(ii) but was a qualifying State for a prior fiscal year shall, subject to subparagraph (F), be entitled to receive from the Secretary for the specified fiscal year, a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year for which the State was a qualifying State.

(C) QUALIFYING STATE.—

(i) IN GENERAL.—For purposes of this paragraph, a State is a qualifying State for a fiscal year if—

(I) the level of welfare spending per poor person by the State for the immediately preceding fiscal year is less than the national average level of State welfare spending per poor person for such preceding fiscal year; and

(II) the population growth rate of the State (as determined by the Bureau of the Census) for the most recent fiscal year for which information is available exceeds the average population growth rate for all States (as so determined) for such most recent fiscal year.

(ii) STATE MUST QUALIFY IN FISCAL YEAR 1998.—Notwithstanding clause (i), a State shall not be a qualifying State for any fiscal year after 1998 by reason of clause (i) if the State is not a qualifying State for fiscal year 1998 by reason of clause (i).

(iii) CERTAIN STATES DEEMED QUALIFYING STATES.—For purposes of this paragraph, a State is deemed to be a qualifying State for fiscal years 1998, 1999, 2000, and 2001 if—

(I) the level of welfare spending per poor person by the State for fiscal year 1994 is less than 35 percent of the national average level of State welfare spending per poor person for fiscal year 1994; or

(II) the population of the State increased by more than 10 percent from April 1, 1990 to July 1, 1994, according to the population estimates in publication CB94-204 of the Bureau of the Census.

(D) DEFINITIONS.—As used in this paragraph:

(i) LEVEL OF WELFARE SPENDING PER POOR PERSON.—The term “level of State welfare spending per poor person” means, with respect to a State and a fiscal year—

(I) the sum of—

(aa) the total amount required to be paid to the State under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; and

(bb) the amount (if any) paid to the State under this paragraph for the immediately preceding fiscal year; divided by

(II) the number of individuals, according to the 1990 decennial census, who were residents of the State and whose income was below the poverty line.

(ii) NATIONAL AVERAGE LEVEL OF STATE WELFARE SPENDING PER POOR PERSON.—The term “national average level of State welfare spending per poor person” means, with respect to a fiscal year, an amount equal to—

(I) the total amount required to be paid to the States under former section 403 (as in effect during fiscal year 1994) for fiscal year 1994; divided by

(II) the number of individuals, according to the 1990 decennial census, who were residents of any State and whose income was below the poverty line.

(iii) STATE.—The term “State” means each of the 50 States of the United States and the District of Columbia.

(E) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1998, 1999, 2000, and 2001 such sums as are necessary for grants under this paragraph, in a total amount not to exceed \$800,000,000.

(F) GRANTS REDUCED PRO RATA IF INSUFFICIENT APPROPRIATIONS.—If the amount appropriated pursuant to this paragraph for a fiscal year (or portion of a fiscal year) is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year (or portion of the fiscal year), then the amount otherwise payable to any State for the fiscal year (or portion of the fiscal year) under this paragraph shall be reduced by a percentage equal to the amount so appropriated divided by such total amount.

(G) BUDGET SCORING.—Notwithstanding section 257(b)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the baseline shall assume that no grant shall be made under this paragraph after fiscal year 2001.

(H) REAUTHORIZATION.—Notwithstanding any other provision of this paragraph—

(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for each of fiscal years 2002 and 2003 a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

(ii) subparagraph (G) shall be applied as if “fiscal year 2011” were substituted for “fiscal year 2001”;

(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2002 and 2003 such sums as are necessary for grants under this subparagraph.

(4) BONUS TO REWARD HIGH PERFORMANCE STATES.—

(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to each State for each bonus year for which the State is a high performing State.

(B) AMOUNT OF GRANT.—

(i) IN GENERAL.—Subject to clause (ii) of this subparagraph, the Secretary shall determine the amount of the grant payable under this paragraph to a high

performing State for a bonus year, which shall be based on the score assigned to the State under subparagraph (D)(i) for the fiscal year that immediately precedes the bonus year.

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

(C) FORMULA FOR MEASURING STATE PERFORMANCE.—Not later than 1 year after the date of the enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, the Secretary, in consultation with the National Governors' Association and the American Public Welfare Association, shall develop a formula for measuring State performance in operating the State program funded under this part so as to achieve the goals set forth in section 401(a).

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

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

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

(I) the average annual total amount of grants to be made under this paragraph for each bonus year equals \$200,000,000; and

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

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

(i) BONUS YEAR.—The term “bonus year” means fiscal years 1999, 2000, 2001, 2002, and 2003.

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

(F) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 1999 through 2003 \$1,000,000,000 for grants under this paragraph.

(5) WELFARE-TO-WORK GRANTS.—

(A) FORMULA GRANTS.—

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

(I) 2 times the total of the expenditures by the State (excluding qualified State expenditures (as defined in section 409(a)(7)(B)(i)) and any expenditure described in subclause (I), (II), or (IV) of sec-

tion 409(a)(7)(B)(iv)) during the period permitted under subparagraph (C)(vii) of this paragraph for the expenditure of funds under the grant for activities described in subparagraph (C)(i) of this paragraph; or

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

(ii) WELFARE-TO-WORK STATE.—A State shall be considered a welfare-to-work State for a fiscal year for purposes of this paragraph if the Secretary of Labor determines that the State meets the following requirements:

(I) The State has submitted to the Secretary of Labor and the Secretary of Health and Human Services (in the form of an addendum to the State plan submitted under section 402) a plan which—

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

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

(cc) contains evidence that the plan was developed in consultation and coordination with appropriate entities in sub-State areas;

(dd) contains assurances by the Governor of the State that the private industry council (and any alternate agency designated by the Governor under item (ee)) for a service delivery area in the State will coordinate the expenditure of any funds provided under this subparagraph for the benefit of the service delivery area with the expenditure of the funds provided to the State under section 403(a)(1);

(ee) if the Governor of the State desires to have an agency other than a private industry council administer the funds provided under this subparagraph for the benefit of 1 or more service delivery areas in the State, contains an application to the Secretary of Labor for a waiver of clause (vii)(I) with respect to the area or areas in order to permit an alternate agency designated by the Governor to so administer the funds; and

(ff) describes how the State will ensure that a private industry council to which information is disclosed pursuant to section 403(a)(5)(K) or 454A(f)(5) has procedures for safeguarding the information and for ensuring that the information is used solely for the purpose described in that section.

(II) The State has provided to the Secretary of Labor an estimate of the amount that the State

intends to expend during the period permitted under subparagraph (C)(vii) of this paragraph for the expenditure of funds under the grant (excluding expenditures described in section 409(a)(7)(B)(iv) (other than subclause (III) thereof)) pursuant to this paragraph.

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

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

(V) The State certifies that qualified State expenditures (within the meaning of section 409(a)(7)) for the fiscal year will be not less than the applicable percentage of historic State expenditures (within the meaning of section 409(a)(7)) with respect to the fiscal year.

(iii) ALLOTMENTS TO WELFARE-TO-WORK STATES.—

(I) IN GENERAL.—Subject to this clause, the allotment of a welfare-to-work State for a fiscal year shall be the available amount for the fiscal year, multiplied by the State percentage for the fiscal year.

(II) MINIMUM ALLOTMENT.—The allotment of a welfare-to-work State (other than Guam, the Virgin Islands, or American Samoa) for a fiscal year shall not be less than 0.25 percent of the available amount for the fiscal year.

(III) PRO RATA REDUCTION.—Subject to subclause (II), the Secretary of Labor shall make pro rata reductions in the allotments to States under this clause for a fiscal year as necessary to ensure that the total of the allotments does not exceed the available amount for the fiscal year.

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

(I) 75 percent of the sum of—

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

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

(II) any available amount for the immediately preceding fiscal year that has not been obligated by a State, other than funds reserved by the State for distribution under clause (vi)(III) and funds distributed pursuant to clause (vi)(I) in any State in which the service delivery area is the State.

(v) STATE PERCENTAGE.—As used in clause (iii), the term “State percentage” means, with respect to a fiscal year, $\frac{1}{2}$ of the sum of—

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

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

(vi) PROCEDURE FOR DISTRIBUTION OF FUNDS WITHIN STATES.—

(I) ALLOCATION FORMULA.—A State to which a grant is made under this subparagraph shall devise a formula for allocating not less than 85 percent of the amount of the grant among the service delivery areas in the State, which—

(aa) determines the amount to be allocated for the benefit of a service delivery area in proportion to the number (if any) by which the population of the area with an income that is less than the poverty line exceeds 7.5 percent of the total population of the area, relative to such number for all such areas in the State with such an excess, and accords a weight of not less than 50 percent to this factor;

(bb) may determine the amount to be allocated for the benefit of such an area in proportion to the number of adults residing in the area who have been recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first applied to the State) for at least 30 months (whether or not consecutive) relative to the number of such adults residing in the State; and

(cc) may determine the amount to be allocated for the benefit of such an area in proportion to the number of unemployed individuals residing in the area relative to the number of such individuals residing in the State.

(II) DISTRIBUTION OF FUNDS.—

(aa) IN GENERAL.—If the amount allocated by the formula to a service delivery area is at least \$100,000, the State shall distribute the amount to the entity administering the grant in the area.

(bb) SPECIAL RULE.—If the amount allocated by the formula to a service delivery area is

less than \$100,000, the sum shall be available for distribution in the State under subclause (III) during the fiscal year.

(III) PROJECTS TO HELP LONG-TERM RECIPIENTS OF ASSISTANCE ENTER UNSUBSIDIZED JOBS.—The Governor of a State to which a grant is made under this subparagraph may distribute not more than 15 percent of the grant funds (plus any amount required to be distributed under this subclause by reason of subclause (II)(bb)) to projects that appear likely to help long-term recipients of assistance under the State program funded under this part (whether in effect before or after the amendments made by section 103(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 first applied to the State) enter unsubsidized employment.

(vii) ADMINISTRATION.—

(I) PRIVATE INDUSTRY COUNCILS.—The private industry council for a service delivery area in a State shall have sole authority, in coordination with the chief elected official (as defined in section 3 of the Workforce Innovation and Opportunity Act) of the area, to expend the amounts distributed under clause (vi)(II)(aa) for the benefit of the service delivery area, in accordance with the assurances described in clause (ii)(I)(dd) provided by the Governor of the State.

(II) ENFORCEMENT OF COORDINATION OF EXPENDITURES WITH OTHER EXPENDITURES UNDER THIS PART.—Notwithstanding subclause (I) of this clause, on a determination by the Governor of a State that a private industry council (or an alternate agency described in clause (ii)(I)(dd)) has used funds provided under this subparagraph in a manner inconsistent with the assurances described in clause (ii)(I)(dd)—

(aa) the private industry council (or such alternate agency) shall remit the funds to the Governor; and

(bb) the Governor shall apply to the Secretary of Labor for a waiver of subclause (I) of this clause with respect to the service delivery area or areas involved in order to permit an alternate agency designated by the Governor to administer the funds in accordance with the assurances.

(III) AUTHORITY TO PERMIT USE OF ALTERNATE ADMINISTERING AGENCY.—The Secretary of Labor shall approve an application submitted under clause (ii)(I)(ee) or subclause (II)(bb) of this clause to waive subclause (I) of this clause with respect to 1 or more service delivery areas if the Secretary determines that the alternate agency designated in the application would improve the effectiveness

or efficiency of the administration of amounts distributed under clause (vi)(II)(aa) for the benefit of the area or areas.

(viii) DATA TO BE USED IN DETERMINING THE NUMBER OF ADULT TANF RECIPIENTS.—For purposes of this subparagraph, the number of adult recipients of assistance under a State program funded under this part for a fiscal year shall be determined using data for the most recent 12-month period for which such data is available before the beginning of the fiscal year.

(ix) REVERSION OF UNALLOTTED FORMULA FUNDS.—If at the end of any fiscal year any funds available under this subparagraph have not been allotted due to a determination by the Secretary that any State has not met the requirements of clause (ii), such funds shall be transferred to the General Fund of the Treasury of the United States.

(B) COMPETITIVE GRANTS.—

(i) IN GENERAL.—The Secretary of Labor shall award grants in accordance with this subparagraph, in fiscal years 1998 and 1999, for projects proposed by eligible applicants, based on the following:

(I) The effectiveness of the proposal in—

(aa) expanding the base of knowledge about programs aimed at moving recipients of assistance under State programs funded under this part who are least job ready into unsubsidized employment.

(bb) moving recipients of assistance under State programs funded under this part who are least job ready into unsubsidized employment; and

(cc) moving recipients of assistance under State programs funded under this part who are least job ready into unsubsidized employment, even in labor markets that have a shortage of low-skill jobs.

(II) At the discretion of the Secretary of Labor, any of the following:

(aa) The history of success of the applicant in moving individuals with multiple barriers into work.

(bb) Evidence of the applicant's ability to leverage private, State, and local resources.

(cc) Use by the applicant of State and local resources beyond those required by subparagraph (A).

(dd) Plans of the applicant to coordinate with other organizations at the local and State level.

(ee) Use by the applicant of current or former recipients of assistance under a State program funded under this part as mentors, case managers, or service providers.

(ii) ELIGIBLE APPLICANTS.—As used in clause (i), the term “eligible applicant” means a private industry council for a service delivery area in a State, a political subdivision of a State, or a private entity applying in conjunction with the private industry council for such a service delivery area or with such a political subdivision, that submits a proposal developed in consultation with the Governor of the State.

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

(iv) CONSIDERATION OF NEEDS OF RURAL AREAS AND CITIES WITH LARGE CONCENTRATIONS OF POVERTY.—In making grants under this subparagraph, the Secretary of Labor shall consider the needs of rural areas and cities with large concentrations of residents with an income that is less than the poverty line.

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

(I) 25 percent of the sum of—

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

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

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

(C) LIMITATIONS ON USE OF FUNDS.—

(i) ALLOWABLE ACTIVITIES.—An entity to which funds are provided under this paragraph shall use the funds to move individuals into and keep individuals in lasting unsubsidized employment by means of any of the following:

(I) The conduct and administration of community service or work experience programs.

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

(III) On-the-job training.

(IV) Contracts with public or private providers of readiness, placement, and post-employment services, or if the entity is not a private industry

council or workforce investment board, the direct provision of such services.

(V) Job vouchers for placement, readiness, and postemployment services.

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

(VII) Not more than 6 months of vocational educational or job training.

Contracts or vouchers for job placement services supported by such funds must require that at least $\frac{1}{2}$ of the payment occur after an eligible individual placed into the workforce has been in the workforce for 6 months.

(ii) GENERAL ELIGIBILITY.—An entity that operates a project with funds provided under this paragraph may expend funds provided to the project for the benefit of recipients of assistance under the program funded under this part of the State in which the entity is located who—

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

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

(iii) NONCUSTODIAL PARENTS.—An entity that operates a project with funds provided under this paragraph may use the funds to provide services in a form described in clause (i) to noncustodial parents with respect to whom the requirements of the following subclauses are met:

(I) The noncustodial parent is unemployed, underemployed, or having difficulty in paying child support obligations.

(II) At least 1 of the following applies to a minor child of the noncustodial parent (with preference in the determination of the noncustodial parents to be provided services under this paragraph to be provided by the entity to those noncustodial parents with minor children who meet, or who have custodial parents who meet, the requirements of item (aa)):

(aa) The minor child or the custodial parent of the minor child meets the requirements of subclause (I) or (II) of clause (ii).

(bb) The minor child is eligible for, or is receiving, benefits under the program funded under this part.

(cc) The minor child received benefits under the program funded under this part in the 12-month period preceding the date of the determination but no longer receives such benefits.

(dd) The minor child is eligible for, or is receiving, assistance under the Food and Nutrition Act of 2008, benefits under the supplemental security income program under title XVI of this Act, medical assistance under title XIX of this Act, or child health assistance under title XXI of this Act.

(III) In the case of a noncustodial parent who becomes enrolled in the project on or after the date of the enactment of this clause, the noncustodial parent is in compliance with the terms of an oral or written personal responsibility contract entered into among the noncustodial parent, the entity, and (unless the entity demonstrates to the Secretary that the entity is not capable of coordinating with such agency) the agency responsible for administering the State plan under part D, which was developed taking into account the employment and child support status of the noncustodial parent, which was entered into not later than 30 (or, at the option of the entity, not later than 90) days after the noncustodial parent was enrolled in the project, and which, at a minimum, includes the following:

(aa) A commitment by the noncustodial parent to cooperate, at the earliest opportunity, in the establishment of the paternity of the minor child, through voluntary acknowledgment or other procedures, and in the establishment of a child support order.

(bb) A commitment by the noncustodial parent to cooperate in the payment of child support for the minor child, which may include a modification of an existing support order to take into account the ability of the noncustodial parent to pay such support and the participation of such parent in the project.

(cc) A commitment by the noncustodial parent to participate in employment or related activities that will enable the noncustodial parent to make regular child support payments, and if the noncustodial parent has not attained 20 years of age, such related activities may include completion of high school, a general equivalency degree, or other education directly related to employment.

(dd) A description of the services to be provided under this paragraph, and a commitment by the noncustodial parent to participate in such services, that are designed to assist the noncustodial parent obtain and retain

employment, increase earnings, and enhance the financial and emotional contributions to the well-being of the minor child.

In order to protect custodial parents and children who may be at risk of domestic violence, the preceding provisions of this subclause shall not be construed to affect any other provision of law requiring a custodial parent to cooperate in establishing the paternity of a child or establishing or enforcing a support order with respect to a child, or entitling a custodial parent to refuse, for good cause, to provide such cooperation as a condition of assistance or benefit under any program, shall not be construed to require such cooperation by the custodial parent as a condition of participation of either parent in the program authorized under this paragraph, and shall not be construed to require a custodial parent to cooperate with or participate in any activity under this clause. The entity operating a project under this clause with funds provided under this paragraph shall consult with domestic violence prevention and intervention organizations in the development of the project.

(iv) TARGETING OF HARD TO EMPLOY INDIVIDUALS WITH CHARACTERISTICS ASSOCIATED WITH LONG-TERM WELFARE DEPENDENCE.—An entity that operates a project with funds provided under this paragraph may expend not more than 30 percent of all funds provided to the project for programs that provide assistance in a form described in clause (i)—

(I) to recipients of assistance under the program funded under this part of the State in which the entity is located who have characteristics associated with long-term welfare dependence (such as school dropout, teen pregnancy, or poor work history), including, at the option of the State, by providing assistance in such form as a condition of receiving assistance under the State program funded under this part;

(II) to children—

(aa) who have attained 18 years of age but not 25 years of age; and

(bb) who, before attaining 18 years of age, were recipients of foster care maintenance payments (as defined in section 475(4)) under part E or were in foster care under the responsibility of a State;

(III) to recipients of assistance under the State program funded under this part, determined to have significant barriers to self-sufficiency, pursuant to criteria established by the local private industry council; or

(IV) to custodial parents with incomes below 100 percent of the poverty line (as defined in sec-

tion 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section, applicable to a family of the size involved).

To the extent that the entity does not expend such funds in accordance with the preceding sentence, the entity shall expend such funds in accordance with clauses (ii) and (iii) and, as appropriate, clause (v).

(v) **AUTHORITY TO PROVIDE WORK-RELATED SERVICES TO INDIVIDUALS WHO HAVE REACHED THE 5 YEAR LIMIT.**—An entity that operates a project with funds provided under this paragraph may use the funds to provide assistance in a form described in clause (i) of this subparagraph to, or for the benefit of, individuals who (but for section 408(a)(7)) would be eligible for assistance under the program funded under this part of the State in which the entity is located.

(vi) **RELATIONSHIP TO OTHER PROVISIONS OF THIS PART.**—

(I) **RULES GOVERNING USE OF FUNDS.**—The rules of section 404, other than subsections (b), (f), and (h) of section 404, shall not apply to a grant made under this paragraph.

(II) **RULES GOVERNING PAYMENTS TO STATES.**—The Secretary of Labor shall carry out the functions otherwise assigned by section 405 to the Secretary of Health and Human Services with respect to the grants payable under this paragraph.

(III) **ADMINISTRATION.**—Section 416 shall not apply to the programs under this paragraph.

(vii) **PROHIBITION AGAINST USE OF GRANT FUNDS FOR ANY OTHER FUND MATCHING REQUIREMENT.**—An entity to which funds are provided under this paragraph shall not use any part of the funds, nor any part of State expenditures made to match the funds, to fulfill any obligation of any State, political subdivision, or private industry council to contribute funds under section 403(b) or 418 or any other provision of this Act or other Federal law.

(viii) **DEADLINE FOR EXPENDITURE.**—An entity to which funds are provided under this paragraph shall remit to the Secretary of Labor any part of the funds that are not expended within 5 years after the date the funds are so provided.

(ix) **REGULATIONS.**—Within 90 days after the date of the enactment of this paragraph, the Secretary of Labor, after consultation with the Secretary of Health and Human Services and the Secretary of Housing and Urban Development, shall prescribe such regulations as may be necessary to implement this paragraph.

(x) **REPORTING REQUIREMENTS.**—The Secretary of Labor, in consultation with the Secretary of Health and Human Services, States, and organizations that represent State or local governments, shall establish

requirements for the collection and maintenance of financial and participant information and the reporting of such information by entities carrying out activities under this paragraph.

(D) DEFINITIONS.—

(i) INDIVIDUALS WITH INCOME LESS THAN THE POVERTY LINE.—For purposes of this paragraph, the number of individuals with an income that is less than the poverty line shall be determined for a fiscal year—

(I) based on the methodology used by the Bureau of the Census to produce and publish intercensal poverty data for States and counties (or, in the case of Puerto Rico, the Virgin Islands, Guam, and American Samoa, other poverty data selected by the Secretary of Labor); and

(II) using data for the most recent year for which such data is available before the beginning of the fiscal year.

(ii) PRIVATE INDUSTRY COUNCIL.—As used in this paragraph, the term “private industry council” means, with respect to a service delivery area, the private industry council or local workforce development board established for the local workforce development area pursuant to title I of the Workforce Innovation and Opportunity Act, as appropriate.

(iii) SERVICE DELIVERY AREA.—As used in this paragraph, the term “service delivery area” shall have the meaning given such term for purposes of the Job Training Partnership Act or.

(E) FUNDING FOR INDIAN TRIBES.—1 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$15,000,000 of the amount so specified for fiscal year 1999 shall be reserved for grants to Indian tribes under section 412(a)(3).

(F) FUNDING FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—0.6 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$9,000,000 of the amount so specified for fiscal year 1999 shall be reserved for use by the Secretary to carry out section 413(j).

(G) FUNDING FOR EVALUATION OF ABSTINENCE EDUCATION PROGRAMS.—

(i) IN GENERAL.—0.2 percent of the amount specified in subparagraph (H) for fiscal year 1998 and \$3,000,000 of the amount so specified for fiscal year 1999 shall be reserved for use by the Secretary to evaluate programs under section 510, directly or through grants, contracts, or interagency agreements.

(ii) AUTHORITY TO USE FUNDS FOR EVALUATIONS OF WELFARE-TO-WORK PROGRAMS.—Any such amount not required for such evaluations shall be available for use by the Secretary to carry out section 413(j).

(iii) DEADLINE FOR OUTLAYS.—Outlays from funds used pursuant to clause (i) for evaluation of programs under section 510 shall not be made after fiscal year 2005.

(iv) INTERIM REPORT.—Not later than January 1, 2002, the Secretary shall submit to the Congress an interim report on the evaluations referred to in clause (i).

(H) APPROPRIATIONS.—

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

(I) \$1,500,000,000 for fiscal year 1998; and

(II) \$1,400,000,000 for fiscal year 1999.

(ii) AVAILABILITY.—The amounts made available pursuant to clause (i) shall remain available for such period as is necessary to make the grants provided for in this paragraph.

(I) WORKER PROTECTIONS.—

(i) NONDISPLACEMENT IN WORK ACTIVITIES.—

(I) GENERAL PROHIBITION.—Subject to this clause, an adult in a family receiving assistance attributable to funds provided under this paragraph may fill a vacant employment position in order to engage in a work activity.

(II) PROHIBITION AGAINST VIOLATION OF CONTRACTS.—A work activity engaged in under a program operated with funds provided under this paragraph shall not violate an existing contract for services or a collective bargaining agreement, and such a work activity that would violate a collective bargaining agreement shall not be undertaken without the written concurrence of the labor organization and employer concerned.

(III) OTHER PROHIBITIONS.—An adult participant in a work activity engaged in under a program operated with funds provided under this paragraph shall not be employed or assigned—

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

(bb) if the employer has terminated the employment of any regular employee or otherwise caused an involuntary reduction in its workforce with the intention of filling the vacancy so created with the participant; or

(cc) if the employer has caused an involuntary reduction to less than full time in hours of any employee in the same or a substantially equivalent job.

(ii) HEALTH AND SAFETY.—Health and safety standards established under Federal and State law otherwise applicable to working conditions of employees shall be equally applicable to working conditions of other participants engaged in a work activity under a program operated with funds provided under this paragraph.

(iii) NONDISCRIMINATION.—In addition to the protections provided under the provisions of law specified in

section 408(c), an individual may not be discriminated against by reason of gender with respect to participation in work activities engaged in under a program operated with funds provided under this paragraph.

(iv) GRIEVANCE PROCEDURE.—

(I) IN GENERAL.—Each State to which a grant is made under this paragraph shall establish and maintain a procedure for grievances or complaints from employees alleging violations of clause (i) and participants in work activities alleging violations of clause (i), (ii), or (iii).

(II) HEARING.—The procedure shall include an opportunity for a hearing.

(III) REMEDIES.—The procedure shall include remedies for violation of clause (i), (ii), or (iii), which may continue during the pendency of the procedure, and which may include—

(aa) suspension or termination of payments from funds provided under this paragraph;

(bb) prohibition of placement of a participant with an employer that has violated clause (i), (ii), or (iii);

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

(dd) where appropriate, other equitable relief.

(IV) APPEALS.—

(aa) FILING.—Not later than 30 days after a grievant or complainant receives an adverse decision under the procedure established pursuant to subclause (I), the grievant or complainant may appeal the decision to a State agency designated by the State which shall be independent of the State or local agency that is administering the programs operated with funds provided under this paragraph and the State agency administering, or supervising the administration of, the State program funded under this part.

(bb) FINAL DETERMINATION.—Not later than 120 days after the State agency designated under item (aa) receives a grievance or complaint made under the procedure established by a State pursuant to subclause (I), the State agency shall make a final determination on the appeal.

(v) RULE OF INTERPRETATION.—This subparagraph shall not be construed to affect the authority of a State to provide or require workers' compensation.

(vi) NONPREEMPTION OF STATE LAW.—The provisions of this subparagraph shall not be construed to preempt any provision of State law that affords greater protections to employees or to other participants en-

gaged in work activities under a program funded under this part than is afforded by such provisions of this subparagraph.

(J) INFORMATION DISCLOSURE.—If a State to which a grant is made under section 403 establishes safeguards against the use or disclosure of information about applicants or recipients of assistance under the State program funded under this part, the safeguards shall not prevent the State agency administering the program from furnishing to a private industry council the names, addresses, telephone numbers, and identifying case number information in the State program funded under this part, of non-custodial parents residing in the service delivery area of the private industry council, for the purpose of identifying and contacting noncustodial parents regarding participation in the program under this paragraph.

(b) CONTINGENCY FUND.—

(1) ESTABLISHMENT.—There is hereby established in the Treasury of the United States a fund which shall be known as the “Contingency Fund for State Welfare Programs” (in this section referred to as the “Fund”).

(2) DEPOSITS INTO FUND.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal years 2013 and 2014 such sums as are necessary for payment to the Fund in a total amount not to exceed \$612,000,000 for each fiscal year, of which \$2,000,000 shall be reserved for carrying out the activities of the commission established by the Protect our Kids Act of 2012 to reduce fatalities resulting from child abuse and neglect.

(3) GRANTS.—

(A) PROVISIONAL PAYMENTS.—If an eligible State submits to the Secretary a request for funds under this paragraph during an eligible month, the Secretary shall, subject to this paragraph, pay to the State, from amounts appropriated pursuant to paragraph (2), an amount equal to the amount of funds so requested.

(B) PAYMENT PRIORITY.—The Secretary shall make payments under subparagraph (A) in the order in which the Secretary receives requests for such payments.

(C) LIMITATIONS.—

(i) MONTHLY PAYMENT TO A STATE.—The total amount paid to a single State under subparagraph (A) during a month shall not exceed $\frac{1}{12}$ of 20 percent of the State family assistance grant.

(ii) PAYMENTS TO ALL STATES.—The total amount paid to all States under subparagraph (A) during fiscal year 2011 and 2012, respectively, shall not exceed the total amount appropriated pursuant to paragraph (2) for each such fiscal year.

(4) ELIGIBLE MONTH.—As used in paragraph (3)(A), the term “eligible month” means, with respect to a State, a month in the 2-month period that begins with any month for which the State is a needy State.

(5) NEEDY STATE.—For purposes of paragraph (4), a State is a needy State for a month if—

(A) the average rate of—

(i) total unemployment in such State (seasonally adjusted) for the period consisting of the most recent 3 months for which data for all States are published equals or exceeds 6.5 percent; and

(ii) total unemployment in such State (seasonally adjusted) for the 3-month period equals or exceeds 110 percent of such average rate for either (or both) of the corresponding 3-month periods ending in the 2 preceding calendar years; or

(B) as determined by the Secretary of Agriculture (in the discretion of the Secretary of Agriculture), the monthly average number of individuals (as of the last day of each month) participating in the supplemental nutrition assistance program in the State in the then most recently concluded 3-month period for which data are available exceeds by not less than 10 percent the lesser of—

(i) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the supplemental nutrition assistance program in the corresponding 3-month period in fiscal year 1994 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1994; or

(ii) the monthly average number of individuals (as of the last day of each month) in the State that would have participated in the supplemental nutrition assistance program in the corresponding 3-month period in fiscal year 1995 if the amendments made by titles IV and VIII of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 had been in effect throughout fiscal year 1995.

(6) ANNUAL RECONCILIATION.—

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

(i) the total amount paid to the State under paragraph (3) of this subsection in the fiscal year; exceeds

(ii) the product of—

(I) the Federal medical assistance percentage for the State (as defined in section 1905(b), as such section was in effect on September 30, 1995);

(II) the State's reimbursable expenditures for the fiscal year; and

(III) $\frac{1}{12}$ times the number of months during the fiscal year for which the Secretary made a payment to the State under such paragraph (3).

(B) DEFINITIONS.—As used in subparagraph (A):

(i) REIMBURSABLE EXPENDITURES.—The term “reimbursable expenditures” means, with respect to a State and a fiscal year, the amount (if any) by which—

(I) countable State expenditures for the fiscal year; exceeds

(II) historic State expenditures (as defined in section 409(a)(7)(B)(iii)), excluding any amount expended by the State for child care under subsection (g) or (i) of section 402 (as in effect during fiscal year 1994) for fiscal year 1994.

(ii) COUNTABLE STATE EXPENDITURES.—The term “countable expenditures” means, with respect to a State and a fiscal year—

(I) the qualified State expenditures (as defined in section 409(a)(7)(B)(i) (other than the expenditures described in subclause (I)(bb) of such section)) under the State program funded under this part for the fiscal year; plus

(II) any amount paid to the State under paragraph (3) during the fiscal year that is expended by the State under the State program funded under this part.

(C) ADJUSTMENT OF STATE REMITTANCES.—

(i) IN GENERAL.—The amount otherwise required by subparagraph (A) to be remitted by a State for a fiscal year shall be increased by the lesser of—

(I) the total adjustment for the fiscal year, multiplied by the adjustment percentage for the State for the fiscal year; or

(II) the unadjusted net payment to the State for the fiscal year.

(ii) TOTAL ADJUSTMENT.—As used in clause (i), the term “total adjustment” means—

(I) in the case of fiscal year 1998, \$2,000,000;

(II) in the case of fiscal year 1999, \$9,000,000;

(III) in the case of fiscal year 2000, \$16,000,000;

and

(IV) in the case of fiscal year 2001, \$13,000,000.

(iii) ADJUSTMENT PERCENTAGE.—As used in clause (i), the term “adjustment percentage” means, with respect to a State and a fiscal year—

(I) the unadjusted net payment to the State for the fiscal year; divided by

(II) the sum of the unadjusted net payments to all States for the fiscal year.

(iv) UNADJUSTED NET PAYMENT.—As used in this subparagraph, the term, “unadjusted net payment” means with respect to a State and a fiscal year—

(I) the total amount paid to the State under paragraph (3) in the fiscal year; minus

(II) the amount that, in the absence of this subparagraph, would be required by subparagraph (A) or by section 409(a)(10) to be remitted by the State in respect of the payment.

(7) STATE DEFINED.—As used in this subsection, the term “State” means each of the 50 States and the District of Columbia.

(8) ANNUAL REPORTS.—The Secretary shall annually report to the Congress on the status of the Fund.

(c) SOCIAL IMPACT DEMONSTRATION PROJECTS.—

(1) PURPOSES.—*The purposes of this subsection are the following:*

(A) *To improve the lives of families and individuals in need in the United States by funding social programs that achieve real results.*

(B) *To redirect funds away from programs that, based on objective data, are ineffective, and into programs that achieve demonstrable, measurable results.*

(C) *To ensure Federal funds are used effectively on social services to produce positive outcomes for both service recipients and taxpayers.*

(D) *To establish the use of social impact partnerships to address some of our Nation’s most pressing problems.*

(E) *To facilitate the creation of public-private partnerships that bundle philanthropic or other private resources with existing public spending to scale up effective social interventions already being implemented by private organizations, non-profits, charitable organizations, and State and local governments across the country.*

(F) *To bring pay-for-performance to the social sector, allowing the United States to improve the impact and effectiveness of vital social services programs while redirecting inefficient or duplicative spending.*

(G) *To incorporate outcomes measurement and randomized controlled trials or other rigorous methodologies for assessing program impact.*

(2) SOCIAL IMPACT PARTNERSHIP APPLICATION.—

(A) NOTICE.—*Not later than 1 year after the date of the enactment of this subsection, the Secretary of the Treasury, in consultation with the Federal Interagency Council on Social Impact Partnerships, shall publish in the Federal Register a request for proposals from States or local government for social impact partnership projects in accordance with this paragraph.*

(B) REQUIRED OUTCOMES FOR SOCIAL IMPACT PARTNERSHIP PROJECT.—*To qualify as a social impact partnership project under this subsection, a project must produce 1 or more measurable, clearly defined outcomes that result in social benefit and Federal savings through any of the following:*

(i) *Increasing work and earnings by individuals who have been unemployed in the United States for more than 6 consecutive months.*

(ii) *Increasing employment and earnings of individuals who have attained 16 years of age but not 25 years of age.*

(iii) *Increasing employment among individuals receiving Federal disability benefits.*

(iv) *Reducing the dependence of low-income families on Federal means-tested benefits.*

(v) *Improving rates of high school graduation.*

(vi) *Reducing teen and unplanned pregnancies.*

(vii) *Improving birth outcomes and early childhood health and development among low-income families and individuals.*

(viii) *Reducing rates of asthma, diabetes, or other preventable diseases among low-income families and individuals to reduce the utilization of emergency and other high-cost care.*

(ix) *Increasing the proportion of children living in 2-parent families.*

(x) *Reducing incidences and adverse consequences of child abuse and neglect.*

(xi) *Reducing the number of youth in foster care by increasing adoptions, permanent guardianship arrangements, reunification, or placement with a fit and willing relative, or by avoiding placing children in foster care by ensuring they can be cared for safely in their own homes.*

(xii) *Reducing the number of children and youth in foster care residing in group homes, child care institutions, agency-operated foster homes, or other non-family foster homes, unless it is determined that it is in the interest of the child's long-term health, safety, or psychological well-being to not be placed in a family foster home.*

(xiii) *Reducing the number of children returning to foster care.*

(xiv) *Reducing recidivism among juveniles, individuals released from prison, or other high-risk populations.*

(xv) *Reducing the rate of homelessness among our most vulnerable populations.*

(xvi) *Improving the health and well-being of those with mental, emotional, and behavioral health needs.*

(xvii) *Improving the educational outcomes of special-needs or low-income children.*

(xviii) *Improving the employment and well-being of returning United States military members.*

(xix) *Increasing the financial stability of low-income families.*

(xx) *Increasing the independence and employability of individuals who are physically or mentally disabled.*

(xxi) *Other measurable outcomes defined by the State or local government that result in positive social outcomes and Federal savings.*

(C) **APPLICATION REQUIRED.**—*The notice described in subparagraph (A) shall require a State or local government to submit an application for the social impact partnership project that addresses the following:*

(i) *The outcome goals of the project.*

(ii) *A description of each intervention in the project and anticipated outcomes of the intervention.*

(iii) *Rigorous evidence demonstrating that the intervention can be expected to produce the desired outcomes.*

(iv) *The target population that will be served by the project.*

(v) *The expected social benefits to participants who receive the intervention and others who may be impacted.*

(vi) *Projected Federal, State, and local government costs and other costs to conduct the project.*

(vii) *Projected Federal, State, and local government savings and other savings, including an estimate of the savings to the Federal Government, on a program-by-program basis and in the aggregate, if the project is implemented and the outcomes are achieved.*

(viii) *If savings resulting from the successful completion of the project are estimated to accrue to the State or local government, the likelihood of the State or local government to realize those savings.*

(ix) *A plan for delivering the intervention through a social impact partnership model.*

(x) *A description of the expertise of each service provider that will administer the intervention, including a summary of the experience of the service provider in delivering the proposed intervention or a similar intervention, or demonstrating that the service provider has the expertise necessary to deliver the proposed intervention.*

(xi) *An explanation of the experience of the State or local government, the intermediary, or the service provider in raising private and philanthropic capital to fund social service investments.*

(xii) *The detailed roles and responsibilities of each entity involved in the project, including any State or local government entity, intermediary, service provider, independent evaluator, investor, or other stakeholder.*

(xiii) *A summary of the experience of the service provider delivering the proposed intervention or a similar intervention, or a summary demonstrating the service provider has the expertise necessary to deliver the proposed intervention.*

(xiv) *A summary of the unmet need in the area where the intervention will be delivered or among the target population who will receive the intervention.*

(xv) *The proposed payment terms, the methodology used to calculate outcome payments, the payment schedule, and performance thresholds.*

(xvi) *The project budget.*

(xvii) *The project timeline.*

(xviii) *The criteria used to determine the eligibility of an individual for the project, including how selected populations will be identified, how they will be referred to the project, and how they will be enrolled in the project.*

(xix) *The evaluation design.*

(xx) *The metrics that will be used to determine whether the outcomes have been achieved and how the metrics will be measured.*

(xxi) *An explanation of how the metrics used to determine whether the outcomes have been achieved are independent, objective indicators of impact and are not subject to manipulation by the service provider, intermediary, or investor.*

(xxii) *A summary explaining the independence of the evaluator from the other entities involved in the project and the evaluator's experience in conducting rigorous evaluations of program effectiveness including, where available, well-implemented randomized controlled trials on the intervention or similar interventions.*

(xxiii) *The capacity of the service provider to deliver the intervention to the number of participants the State or local government proposes to serve in the project.*

(D) **PROJECT INTERMEDIARY INFORMATION REQUIRED.**—*The application described in subparagraph (C) shall also contain the following information about any intermediary for the social impact partnership project (whether an intermediary is a service provider or other entity):*

(i) *Experience and capacity for providing or facilitating the provision of the type of intervention proposed.*

(ii) *The mission and goals.*

(iii) *Information on whether the intermediary is already working with service providers that provide this intervention or an explanation of the capacity of the intermediary to begin working with service providers to provide the intervention.*

(iv) *Experience working in a collaborative environment across government and nongovernmental entities.*

(v) *Previous experience collaborating with public or private entities to implement evidence-based programs.*

(vi) *Ability to raise or provide funding to cover operating costs (if applicable to the project).*

(vii) *Capacity and infrastructure to track outcomes and measure results, including—*

(I) *capacity to track and analyze program performance and assess program impact; and*

(II) *experience with performance-based awards or performance-based contracting and achieving project milestones and targets.*

(viii) *Role in delivering the intervention.*

(ix) *How the intermediary would monitor program success, including a description of the interim benchmarks and outcome measures.*

(E) **FEASIBILITY STUDIES FUNDED THROUGH OTHER SOURCES.**—*The notice described in subparagraph (A) shall permit a State or local government to submit an application for social impact partnership funding that contains information from a feasibility study developed for purposes other than applying for funding under this subsection.*

(3) **AWARDING SOCIAL IMPACT PARTNERSHIP AGREEMENTS.**—

(A) *TIMELINE IN AWARDING AGREEMENT.*—Not later than 6 months after receiving an application in accordance with paragraph (2), the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships, shall determine whether to enter into an agreement for a social impact partnership project with a State or local government.

(B) *CONSIDERATIONS IN AWARDING AGREEMENT.*—In determining whether to enter into an agreement for a social impact partnership project (the application for which was submitted under paragraph (2)) the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships (established by paragraph (6)) and the head of any Federal agency administering a similar intervention or serving a population similar to that served by the project, shall consider each of the following:

(i) The recommendations made by the Commission on Social Impact Partnerships.

(ii) The value to the Federal Government of the outcomes expected to be achieved if the outcomes specified in the agreement are achieved.

(iii) The likelihood, based on evidence provided in the application and other evidence, that the State or local government in collaboration with the intermediary and the service providers will achieve the outcomes.

(iv) The savings to the Federal Government if the outcomes specified in the agreement are achieved.

(v) The savings to the State and local governments if the outcomes specified in the agreement are achieved.

(vi) The expected quality of the evaluation that would be conducted with respect to the agreement.

(C) *AGREEMENT AUTHORITY.*—

(i) *AGREEMENT REQUIREMENTS.*—In accordance with this paragraph, the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships and the head of any Federal agency administering a similar intervention or serving a population similar to that served by the project, may enter into an agreement for a social impact partnership project with a State or local government if the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships, determines that each of the following requirements are met:

(I) The State or local government agrees to achieve 1 or more outcomes specified in the agreement in order to receive payment.

(II) The Federal payment to the State or local government for each outcome specified is less than or equal to the value of the outcome to the Federal Government over a period not to exceed 10 years, as determined by the Secretary, in consultation with the State or local government.

(III) The duration of the project does not exceed 10 years.

(IV) *The State or local government has demonstrated, through the application submitted under paragraph (2), that, based on prior rigorous experimental evaluations or rigorous quasi-experimental studies, the intervention can be expected to achieve each outcome specified in the agreement.*

(V) *The State, local government, intermediary, or service provider has experience raising private or philanthropic capital to fund social service investments (if applicable to the project).*

(VI) *The State or local government has shown that each service provider has experience delivering the intervention, a similar intervention, or has otherwise demonstrated the expertise necessary to deliver the intervention.*

(ii) *PAYMENT.—The Secretary shall pay the State or local government only if the independent evaluator described in paragraph (5) determines that the social impact partnership project has met the requirements specified in the agreement and achieved an outcome specified in the agreement.*

(D) *NOTICE OF AGREEMENT AWARD.—Not later than 30 days after entering into an agreement under this paragraph, the Secretary shall publish a notice in the Federal Register that includes, with regard to the agreement, the following:*

(i) *The outcome goals of the social impact partnership project.*

(ii) *A description of each intervention in the project.*

(iii) *The target population that will be served by the project.*

(iv) *The expected social benefits to participants who receive the intervention and others who may be impacted.*

(v) *The detailed roles, responsibilities, and purposes of each Federal, State, or local government entity, intermediary, service provider, independent evaluator, investor, or other stakeholder.*

(vi) *The payment terms, the methodology used to calculate outcome payments, the payment schedule, and performance thresholds.*

(vii) *The project budget.*

(viii) *The project timeline.*

(ix) *The project eligibility criteria.*

(x) *The evaluation design.*

(xi) *The metrics that will be used to determine whether the outcomes have been achieved and how these metrics will be measured.*

(xii) *The estimate of the savings to the Federal, State, and local government, on a program-by-program basis and in the aggregate, if the agreement is entered into and implemented and the outcomes are achieved.*

(E) *AUTHORITY TO TRANSFER ADMINISTRATION OF AGREEMENT.—The Secretary may transfer to the head of another Federal agency the authority to administer (including mak-*

ing payments under) an agreement entered into under subparagraph (C), and any funds necessary to do so.

(4) **FEASIBILITY STUDY FUNDING.**—

(A) **REQUESTS FOR FUNDING FOR FEASIBILITY STUDIES.**—The Secretary shall reserve a portion of the amount reserved to carry out this subsection to assist States or local governments in developing feasibility studies to apply for social impact partnership funding under paragraph (2). To be eligible to receive funding to assist with completing a feasibility study, a State or local government shall submit an application for feasibility study funding addressing the following:

(i) A description of the outcome goals of the social impact partnership project.

(ii) A description of the intervention, including anticipated program design, target population, an estimate regarding the number of individuals to be served, and setting for the intervention.

(iii) Evidence to support the likelihood that the intervention will produce the desired outcomes.

(iv) A description of the potential metrics to be used.

(v) The expected social benefits to participants who receive the intervention and others who may be impacted.

(vi) Estimated costs to conduct the project.

(vii) Estimates of Federal, State, and local government savings and other savings if the project is implemented and the outcomes are achieved.

(viii) An estimated timeline for implementation and completion of the project, which shall not exceed 10 years.

(ix) With respect to a project for which the State or local government selects an intermediary to operate the project, any partnerships needed to successfully execute the project and the ability of the intermediary to foster the partnerships.

(x) The expected resources needed to complete the feasibility study for the State or local government to apply for social impact partnership funding under paragraph (2).

(B) **FEDERAL SELECTION OF APPLICATIONS FOR FEASIBILITY STUDY.**—Not later than 6 months after receiving an application for feasibility study funding under subparagraph (A), the Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships and the head of any Federal agency administering a similar intervention or serving a population similar to that served by the project, shall select State or local government feasibility study proposals for funding based on the following:

(i) The recommendations made by the Commission on Social Impact Partnerships.

(ii) The likelihood that the proposal will achieve the desired outcomes.

(iii) The value of the outcomes expected to be achieved.

(iv) *The potential savings to the Federal Government if the social impact partnership project is successful.*

(v) *The potential savings to the State and local governments if the project is successful.*

(C) **PUBLIC DISCLOSURE.**—*Not later than 30 days after selecting a State or local government for feasibility study funding under this paragraph, the Secretary shall cause to be published on the website of the Federal Interagency Council on Social Impact Partnerships information explaining why a State or local government was granted feasibility study funding.*

(D) **FUNDING RESTRICTION.**—

(i) **FEASIBILITY STUDY RESTRICTION.**—*The Secretary may not provide feasibility study funding under this paragraph for more than 50 percent of the estimated total cost of the feasibility study reported in the State or local government application submitted under subparagraph (A).*

(ii) **AGGREGATE RESTRICTION.**—*Of the total amount reserved to carry out this subsection, the Secretary may not use more than \$10,000,000 to provide feasibility study funding to States or local governments under this paragraph.*

(iii) **NO GUARANTEE OF FUNDING.**—*The Secretary shall have the option to award no funding under this paragraph.*

(E) **SUBMISSION OF FEASIBILITY STUDY REQUIRED.**—*Not later than 9 months after the receipt of feasibility study funding under this paragraph, a State or local government receiving the funding shall complete the feasibility study and submit the study to the Federal Interagency Council on Social Impact Partnerships.*

(F) **DELEGATION OF AUTHORITY.**—*The Secretary may transfer to the head of another Federal agency the authorities provided in this paragraph and any funds necessary to exercise the authorities.*

(5) **EVALUATIONS.**—

(A) **AUTHORITY TO ENTER INTO AGREEMENTS.**—*For each State or local government awarded a social impact partnership project approved by the Secretary under this subsection, the head of the relevant agency, as determined by the Federal Interagency Council on Social Impact Partnerships, shall enter into an agreement with the State or local government to pay for all or part of the independent evaluation to determine whether the State or local government project has met an outcome specified in the agreement in order for the State or local government to receive outcome payments under this subsection.*

(B) **EVALUATOR QUALIFICATIONS.**—*The head of the relevant agency may not enter into an agreement with a State or local government unless the head determines that the evaluator is independent of the other parties to the agreement and has demonstrated substantial experience in conducting rigorous evaluations of program effectiveness including, where available and appropriate, well-imple-*

mented randomized controlled trials on the intervention or similar interventions.

(C) *METHODOLOGIES TO BE USED.*—The evaluation used to determine whether a State or local government will receive outcome payments under this subsection shall use experimental designs using random assignment or other reliable, evidence-based research methodologies, as certified by the Federal Interagency Council on Social Impact Partnerships, that allow for the strongest possible causal inferences when random assignment is not feasible.

(D) *PROGRESS REPORT.*—

(i) *SUBMISSION OF REPORT.*—The independent evaluator shall—

(I) not later than 2 years after a project has been approved by the Secretary and biannually thereafter until the project is concluded, submit to the head of the relevant agency and the Federal Interagency Council on Social Impact Partnerships a written report summarizing the progress that has been made in achieving each outcome specified in the agreement; and

(II) before the scheduled time of the first outcome payment and before the scheduled time of each subsequent payment, submit to the head of the relevant agency and the Federal Interagency Council on Social Impact Partnerships a written report that includes the results of the evaluation conducted to determine whether an outcome payment should be made along with information on the unique factors that contributed to achieving or failing to achieve the outcome, the challenges faced in attempting to achieve the outcome, and information on the improved future delivery of this or similar interventions.

(ii) *SUBMISSION TO CONGRESS.*—Not later than 30 days after receipt of the written report pursuant to clause (i)(II), the Federal Interagency Council on Social Impact Partnerships shall submit the report to each committee of jurisdiction in the House of Representatives and the Senate.

(E) *FINAL REPORT.*—

(i) *SUBMISSION OF REPORT.*—Within 6 months after the social impact partnership project is completed, the independent evaluator shall—

(I) evaluate the effects of the activities undertaken pursuant to the agreement with regard to each outcome specified in the agreement; and

(II) submit to the head of the relevant agency and the Federal Interagency Council on Social Impact Partnerships a written report that includes the results of the evaluation and the conclusion of the evaluator as to whether the State or local government has fulfilled each obligation of the agreement, along with information on the unique factors that contributed to the success or failure of the

project, the challenges faced in attempting to achieve the outcome, and information on the improved future delivery of this or similar interventions.

(ii) *SUBMISSION TO CONGRESS.—Not later than 30 days after receipt of the written report pursuant to clause (i)(II), the Federal Interagency Council on Social Impact Partnerships shall submit the report to each committee of jurisdiction in the House of Representatives and the Senate.*

(F) *LIMITATION ON COST OF EVALUATIONS.—Of the amount reserved under this subsection for social impact partnership projects, the Secretary may not obligate more than 15 percent to evaluate the implementation and outcomes of the projects.*

(G) *DELEGATION OF AUTHORITY.—The Secretary may transfer to the head of another Federal agency the authorities provided in this paragraph and any funds necessary to exercise the authorities.*

(6) *FEDERAL INTERAGENCY COUNCIL ON SOCIAL IMPACT PARTNERSHIPS.—*

(A) *ESTABLISHMENT.—There is established the Federal Interagency Council on Social Impact Partnerships (in this paragraph referred to as the “Council”) to—*

(i) coordinate the efforts of social impact partnership projects funded under this subsection;

(ii) advise and assist the Secretary in the development and implementation of the projects;

(iii) advise the Secretary on specific programmatic and policy matter related to the projects;

(iv) provide subject-matter expertise to the Secretary with regard to the projects;

(v) ensure that each State or local government that has entered into an agreement with the Secretary for a social impact partnership project under this subsection and each evaluator selected by the head of the relevant agency under paragraph (5) has access to Federal administrative data to assist the State or local government and the evaluator in evaluating the performance and outcomes of the project;

(vi) address issues that will influence the future of social impact partnership projects in the United States;

(vii) provide guidance to the executive branch on the future of social impact partnership projects in the United States;

(viii) review State and local government applications for social impact partnerships to ensure that agreements will only be awarded under this subsection when rigorous, independent data and reliable, evidence-based research methodologies support the conclusion that an agreement will yield savings to the Federal Government if the project outcomes are achieved before the applications are approved by the Secretary;

(ix) certify, in the case of each approved social impact partnership, that the project will yield a projected sav-

ings to the Federal Government if the project outcomes are achieved, and coordinate with the relevant Federal agency to produce an after-action accounting once the project is complete to determine the actual Federal savings realized, and the extent to which actual savings aligned with projected savings; and

(x) provide oversight of the actions of the Secretary and other Federal officials under this subsection and report periodically to Congress and the public on the implementation of this subsection.

(B) COMPOSITION OF COUNCIL.—The Council shall have 11 members, as follows:

(i) CHAIR.—The Chair of the Council shall be the Director of the Office of Management and Budget.

(ii) OTHER MEMBERS.—The head of each of the following entities shall designate 1 officer or employee of the entity to be a Council member:

(I) The Department of Labor.

(II) The Department of Health and Human Services.

(III) The Social Security Administration.

(IV) The Department of Agriculture.

(V) The Department of Justice.

(VI) The Department of Housing and Urban Development.

(VII) The Department of Education.

(VIII) The Department of Veterans Affairs.

(IX) The Department of the Treasury.

(X) The Corporation for National and Community Service.

(7) COMMISSION ON SOCIAL IMPACT PARTNERSHIPS.—

(A) ESTABLISHMENT.—There is established the Commission on Social Impact Partnerships (in this paragraph referred to as the “Commission”).

(B) DUTIES.—The duties of the Commission shall be to—

(i) assist the Secretary and the Federal Interagency Council on Social Impact Partnerships in reviewing applications for funding under this subsection;

(ii) make recommendations to the Secretary and the Federal Interagency Council on Social Impact Partnerships regarding the funding of social impact partnership agreements and feasibility studies; and

(iii) provide other assistance and information as requested by the Secretary or the Federal Interagency Council on Social Impact Partnerships.

(C) COMPOSITION.—The Commission shall be composed of 9 members, of whom—

(i) 1 shall be appointed by the President, who will serve as the Chair of the Commission;

(ii) 1 shall be appointed by the Majority Leader of the Senate;

(iii) 1 shall be appointed by the Minority Leader of the Senate;

(iv) 1 shall be appointed by the Speaker of the House of Representatives;

(v) 1 shall be appointed by the Minority Leader of the House of Representatives;

(vi) 1 shall be appointed by the Chairman of the Committee on Finance of the Senate;

(vii) 1 shall be appointed by the ranking member of the Committee on Finance of the Senate;

(viii) 1 member shall be appointed by the Chairman of the Committee on Ways and Means of the House of Representatives; and

(ix) 1 shall be appointed by the ranking member of the Committee on Ways and Means of the House of Representatives.

(D) **QUALIFICATIONS OF COMMISSION MEMBERS.**—*The members of the Commission shall—*

(i) *be experienced in finance, economics, pay for performance, or program evaluation;*

(ii) *have relevant professional or personal experience in a field related to 1 or more of the outcomes listed in this subsection; or*

(iii) *be qualified to review applications for social impact partnership projects to determine whether the proposed metrics and evaluation methodologies are appropriately rigorous and reliant upon independent data and evidence-based research.*

(E) **TIMING OF APPOINTMENTS.**—*The appointments of the members of the Commission shall be made not later than 120 days after the date of the enactment of this subsection, or, in the event of a vacancy, not later than 90 days after the date the vacancy arises. If a member of Congress fails to appoint a member by that date, the President may select a member of the President's choice on behalf of the member of Congress. Notwithstanding the preceding sentence, if not all appointments have been made to the Commission as of that date, the Commission may operate with no fewer than 5 members until all appointments have been made.*

(F) **TERM OF APPOINTMENTS.**—

(i) **IN GENERAL.**—*The members appointed under subparagraph (C) shall serve as follows:*

(I) *3 members shall serve for 2 years.*

(II) *3 members shall serve for 3 years.*

(III) *3 members (1 of which shall be Chair of the Commission appointed by the President) shall serve for 4 years.*

(ii) **ASSIGNMENT OF TERMS.**—*The Commission shall designate the term length that each member appointed under subparagraph (C) shall serve by unanimous agreement. In the event that unanimous agreement cannot be reached, term lengths shall be assigned to the members by a random process.*

(G) **VACANCIES.**—*Subject to subparagraph (E), in the event of a vacancy in the Commission, whether due to the resignation of a member, the expiration of a member's term, or any other reason, the vacancy shall be filled in the manner in which the original appointment was made and shall not affect the powers of the Commission.*

(H) *APPOINTMENT POWER.*—Members of the Commission appointed under subparagraph (C) shall not be subject to confirmation by the Senate.

(8) *LIMITATION ON USE OF FUNDS.*—Of the amounts reserved to carry out this subsection, the Secretary may not use more than \$2,000,000 in any fiscal year to support the review, approval, and oversight of social impact partnership projects, including activities conducted by—

(A) the Federal Interagency Council on Social Impact Partnerships; and

(B) any other agency consulted by the Secretary before approving a social impact partnership project or a feasibility study under paragraph (4).

(9) *NO FEDERAL FUNDING FOR CREDIT ENHANCEMENTS.*—No amount reserved to carry out this subsection may be used to provide any insurance, guarantee, or other credit enhancement to a State or local government under which a Federal payment would be made to a State or local government as the result of a State or local government failing to achieve an outcome specified in a contract.

(10) *AVAILABILITY OF FUNDS.*—Amounts reserved to carry out this subsection shall remain available until 10 years after the date of the enactment of this subsection.

(11) *WEBSITE.*—The Federal Interagency Council on Social Impact Partnerships shall establish and maintain a public website that shall display the following:

(A) A copy of, or method of accessing, each notice published regarding a social impact partnership project pursuant to this subsection.

(B) A copy of each feasibility study funded under this subsection.

(C) For each State or local government that has entered into an agreement with the Secretary for a social impact partnership project, the website shall contain the following information:

(i) The outcome goals of the project.

(ii) A description of each intervention in the project.

(iii) The target population that will be served by the project.

(iv) The expected social benefits to participants who receive the intervention and others who may be impacted.

(v) The detailed roles, responsibilities, and purposes of each Federal, State, or local government entity, intermediary, service provider, independent evaluator, investor, or other stakeholder.

(vi) The payment terms, methodology used to calculate outcome payments, the payment schedule, and performance thresholds.

(vii) The project budget.

(viii) The project timeline.

(ix) The project eligibility criteria.

(x) The evaluation design.

(xi) *The metrics used to determine whether the proposed outcomes have been achieved and how these metrics are measured.*

(D) *A copy of the progress reports and the final reports relating to each social impact partnership project.*

(E) *An estimate of the savings to the Federal, State, and local government, on a program-by-program basis and in the aggregate, resulting from the successful completion of the social impact partnership project.*

(12) *REGULATIONS.—The Secretary, in consultation with the Federal Interagency Council on Social Impact Partnerships, may issue regulations as necessary to carry out this subsection.*

(13) *DEFINITIONS.—In this subsection:*

(A) *AGENCY.—The term “agency” has the meaning given that term in section 551 of title 5, United States Code.*

(B) *INTERVENTION.—The term “intervention” means a specific service delivered to achieve an impact through a social impact partnership project.*

(C) *SECRETARY.—The term “Secretary” means the Secretary of the Treasury.*

(D) *SOCIAL IMPACT PARTNERSHIP PROJECT.—The term “social impact partnership project” means a project that finances social services using a social impact partnership model.*

(E) *SOCIAL IMPACT PARTNERSHIP MODEL.—The term “social impact partnership model” means a method of financing social services in which—*

(i) *Federal funds are awarded to a State or local government only if a State or local government achieves certain outcomes agreed on by the State or local government and the Secretary; and*

(ii) *the State or local government coordinates with service providers, investors (if applicable to the project), and (if necessary) an intermediary to identify—*

(I) *an intervention expected to produce the outcome;*

(II) *a service provider to deliver the intervention to the target population; and*

(III) *investors to fund the delivery of the intervention.*

(F) *STATE.—The term “State” means each State of the United States, the District of Columbia, each commonwealth, territory or possession of the United States, and each federally recognized Indian tribe.*

(14) *FUNDING.—Of the amounts made available to carry out subsection (b) for fiscal year 2017, the Secretary shall reserve \$100,000,000 to carry out this subsection.*

* * * * *

VIII. ADDITIONAL AND DISSENTING VIEWS

ADDITIONAL VIEWS FOR H.R. 5170

This legislation represents a missed opportunity to seriously address the ongoing challenge of poverty in America.

Over the past 50 years, Congress has enacted laws that lifted tens of millions of Americans out of poverty, making our anti-poverty programs ten times more effective than they were when the War on Poverty began.

But nearly 47 million Americans are still living in poverty, including one in five children. These families, and the millions of families at risk of falling into poverty, face impossible choices every day: transportation to work, child care, school supplies, food for dinner, and a place to live. They worry about what they will do if they or their children get sick and they have no paid leave at work, or how they will get to work if the car breaks down. And they have nothing left at the end of the month to save for college or retirement.

A serious attempt to fight poverty would include action on the basic supports needed to support work and sustain employment—paid leave, access to quality child care, equal pay for women and a decent minimum wage, and an Earned Income Tax Credit that reaches all workers who need it.

A serious attempt to fight poverty would include action on affordable housing, access to early childhood education, and an effort to make college more affordable to help struggling families raise their children and help them toward a better life.

A serious attempt to fight poverty would build on successful programs like the Supplemental Nutrition Assistance Program (SNAP), which lifts nearly 10 million Americans out of poverty, and the Social Services Block Grant (SSBG), which provides critical help to nearly 30 million Americans. And it would build on the Affordable Health Care, which has given families long-awaited peace of mind about high medical bills.

The millions of families that are struggling deserve more than this legislation.

SANDER M. LEVIN,
Ranking Member.

DISSENTING VIEWS FOR H.R. 5170

Social impact financing offers the potential of greater private involvement and resources to tackle some serious social problems. Though still in an experimental stage, states and localities are involved with feasibility studies to determine its usefulness. Without our approving any new legislation, any state can already use Temporary Assistance for Needy Families funds for social impact financing so long as the initiative is designed to achieve the statutory purposes of TANF. If the laboratories of democracy think this approach to engage the private sector is cost efficient, they can do it now.

What this bill does is authorize the use of TANF funds for non-TANF purposes. It removes \$100 million from a contingency fund for needy families, transfers it away from the supervision of the Department of Health and Human Services, and authorizes its expenditure for what may well be worthy purposes but purposes that are not related to TANF. Now is not the time to reduce funding for needy children.

The TANF contingency fund should be focused on effective ways to assist impoverished families moving into long-term jobs through which they earn enough to support their families and to offer direct assistance to those children in families who cannot secure such jobs. It should not be treated as a slush fund to fund an as yet unproven social experiment.

In Texas, only one of every 20 children living below the poverty line receives direct TANF assistance. That's not temporary assistance for needy families—it's no assistance at all for most. Too often TANF has meant less and less for fewer and fewer.

The sponsors of this legislation refuse any change to this bill. Even my modest amendment offering a compromise to require that at least half of the monies be used for programs that directly benefit children was rejected on a recorded vote.

A number of young entrepreneurs with a social conscience, with a desire to give back to our communities, these entrepreneurs are applying their talents regarding how they can make a difference to resolve some of the pressing social problems that we face. In Austin, Texas, for example, I am impressed with a number of feasibility studies already underway to engage more private resources in offering answers to pressing public concerns.

But not everyone who applies for these funds is certain to bring this outlook. Many of our nonprofits in Texas and across America are trying to grapple with serious local problems like child abuse that have been substantially aggravated by State neglect. As the need for services has soared and public resources have dwindled, these good people in many cases are truly desperate for help—willing to try almost anything that might help them to help others. In designing a new program with \$100 million in taxpayer funds, we

need to ensure that those dollars are put to effective use. We have to consider the possibility of the unscrupulous offering false hope to a desperate local community. This bill lacks adequate safeguards.

LLOYD DOGGETT.

