

110TH CONGRESS
1ST SESSION

H. R. 3395

To amend title IV of the Social Security Act to ensure funding for grants to promote responsible fatherhood and strengthen low-income families, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 3, 2007

Mr. DAVIS of Illinois (for himself, Ms. CARSON, Mr. DAVIS of Alabama, Mr. RUSH, Ms. KILPATRICK, Ms. NORTON, Mr. ELLISON, Mr. CLYBURN, Mr. BISHOP of Georgia, and Mr. ROTHMAN) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committees on Education and Labor, Agriculture, and Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend title IV of the Social Security Act to ensure funding for grants to promote responsible fatherhood and strengthen low-income families, and for other purposes.

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

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) **SHORT TITLE.**—This Act may be cited as the
 3 “Responsible Fatherhood and Healthy Families Act of
 4 2007”.

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

Sec. 1. Short title; table of contents.

Sec. 2. Findings.

**TITLE I—PROMOTING RESPONSIBLE FATHERHOOD AND
 STRENGTHENING LOW-INCOME FAMILIES**

Sec. 101. Healthy marriage promotion and responsible fatherhood programs.

Sec. 102. Grants to healthy family partnerships for domestic violence preven-
 tion, for services for families and individuals affected by do-
 mestic violence, and for developing and implementing best
 practices.

Sec. 103. Elimination of separate TANF work participation rate for 2-parent
 families.

Sec. 104. Ban on recovery of Medicaid costs for births.

Sec. 105. Improved collection and distribution of child support.

Sec. 106. Grants to States to conduct demonstration projects to promote eco-
 nomic opportunity for low-income parents.

Sec. 107. State assessments of barriers to employment and financial support of
 children.

Sec. 108. Collection of child support under the food stamp program.

TITLE II—REVENUE PROVISIONS

Sec. 201. Expansion of earned income credit for eligible individuals with no
 qualifying children.

Sec. 202. Broker reporting of customer’s basis in securities transactions.

Sec. 203. Modification of effective date of leasing provisions of the American
 Jobs Creation Act of 2004.

Sec. 204. Clarification of economic substance doctrine.

7 **SEC. 2. FINDINGS.**

8 Congress makes the following findings:

9 (1) The most important factor in a child’s up-
 10 bringing is whether the child is brought up in a lov-
 11 ing, healthy, supportive environment.

1 (2) Children who grow up with two parents are,
2 on average, more likely than their peers in single-
3 parent homes to finish high school and be economi-
4 cally self-sufficient.

5 (3) Father-child interaction, like mother-child
6 interaction, has been shown to promote the positive
7 physical, social, emotional, and mental development
8 of children.

9 (4) Children typically live without both parents
10 when their parents are divorced or did not marry.
11 More than $\frac{1}{3}$ of all first marriages end in divorce,
12 and 60 percent of divorcing couples have children.
13 More than $\frac{1}{3}$ of all births are to unmarried women.

14 (5) More than 1 in 4 families with children
15 have only 1 parent present, and more than 1 in 3
16 children live absent their biological father.

17 (6) Recent studies demonstrate that most
18 unwed fathers in urban areas are highly involved
19 with the mother of their child before and after the
20 child's birth, with 80 percent involved during the
21 mother's pregnancy, and 50 percent living with the
22 child's mother at the time of the child's birth. How-
23 ever, the relationship between the parents often does
24 not last, and many fathers do not maintain contact
25 with their children as the children grow up.

1 (7) An estimated 40 percent of the children
2 who live in households without their father have not
3 seen their fathers in at least 1 year.

4 (8) The inability of parents to sustain a healthy
5 relationship with their child's other parent and re-
6 main involved in their child's life can have severe
7 negative consequences for the parents, the child,
8 their community, and taxpayers.

9 (9) Single-parent families are 5 times as likely
10 to be poor as married-couple families.

11 (10) Children raised in single-parent families
12 are more likely than children raised in 2-parent fam-
13 ilies to do poorly in school, have emotional and be-
14 havioral problems, become teenage parents, commit
15 crimes, smoke cigarettes, abuse drugs and alcohol,
16 and have poverty-level incomes as adults.

17 (11) High rates of unemployment and low
18 wages are primary reasons why parents do not
19 marry, why 2-parent families break up, and why fa-
20 thers fail to remain involved with their children.

21 (12) Domestic violence is also a significant
22 problem leading to the non-formation or break-up of
23 2-parent families.

24 (13) A history of incarceration is a major bar-
25 rier to employment. Sixty percent of young African-

1 American men who dropped out of high school have
2 served time. When these men leave prison, they
3 often have difficulty finding a job and supporting
4 their children.

5 (14) Over $\frac{1}{2}$ of State prison inmates are par-
6 ents. When noncustodial parents go to prison, their
7 child support obligations continue, even though they
8 have little ability to pay the support. When these
9 parents leave prison, they typically owe more than
10 \$20,000 in child support debt. Noncustodial parents
11 leaving prison often re-enter the underground econ-
12 omy because of financial pressures or to avoid the
13 child support system, making it less likely that they
14 will successfully rejoin society and reunite with their
15 families.

16 (15) Children should receive the child support
17 paid by their parents, and the government should
18 not keep the money to recover welfare costs. Regular
19 child support income appears to have a greater posi-
20 tive impact on children dollar for dollar than other
21 types of income. Researchers in Wisconsin found
22 that when monthly child support was passed through
23 to families receiving assistance under the Temporary
24 Assistance for Needy Families program established
25 under part A of title IV of the Social Security Act

1 (TANF) and disregarded 100 percent in determining
2 assistance for the families, fathers paid more child
3 support, established their legal relationship with
4 their children more quickly, and worked less in the
5 underground economy. Moreover, the State costs of
6 a full pass-through and disregard of child support
7 were fully offset by increased payments by fathers
8 and decreased public assistance use by families.

9 (16) The Department of Health and Human
10 Services National Child Support Enforcement Stra-
11 tegic Plan for fiscal years 2005 through 2009 states
12 that “child support is no longer a welfare reimburse-
13 ment, revenue-producing device for the Federal and
14 State governments; it is a family-first program, in-
15 tended to ensure families’ self-sufficiency by making
16 child support a more reliable source of income”.

17 (17) Current law permits States to apply the
18 cost of passing through child support to families re-
19 ceiving assistance under the TANF program toward
20 their maintenance of effort (MOE) requirements,
21 but only to the extent that the State disregards the
22 child support payments in determining the amount
23 and type of TANF assistance.

24 (18) Programs that increase employment oppor-
25 tunity and reduce barriers by increasing employment

1 opportunity and reducing recidivism will benefit chil-
2 dren and families.

3 (19) Transitional jobs programs have shown
4 promise in reducing unemployment among chron-
5 ically unemployed or underemployed population
6 groups, including formerly incarcerated individuals,
7 the homeless, and young African-American men.

8 (20) To strengthen families it is important to
9 improve the upward economic mobility of the custo-
10 dial and noncustodial parent wage-earners, as well
11 as youth at risk of early parenthood or incarcer-
12 ation, by providing the skills and experience nec-
13 essary to access jobs with family-sustaining wages
14 and benefits. In families in which all the members
15 do not live together, this is important to enable the
16 prompt and consistent payment of adequate child
17 support.

18 (21) It is important and useful to foster local
19 and regional economic development and job advance-
20 ment for workers, especially young custodial and
21 noncustodial parents, by funding local collaborations
22 among business, education, and the community in
23 the development of pathways for preparing disadvan-
24 taged citizens to meet the workforce needs of the
25 local and regional economy.

1 (22) Employers benefit from working with and
2 being supported by the local education, post-sec-
3 ondary and workforce systems in identifying the aca-
4 demic and occupational skill sets needed to fill the
5 skilled jobs in the changing economy. Local eco-
6 nomic and community development is enhanced
7 when residents have access to higher wage employ-
8 ment, thus increasing the tax base, fueling the econ-
9 omy, and contributing to greater family economic se-
10 curity.

11 (23) Public-private career pathways partner-
12 ships are an important tool for linking employers
13 and workers with the workforce education services
14 they need and for integrating community economic
15 development and workforce education services. Tran-
16 sitional jobs programs can serve as the first step in
17 a career pathway by giving unemployed individuals
18 with multiple barriers to employment, valuable work
19 experience and related services.

20 (24) The purpose of child support is to provide
21 necessary income support for and increase the well-
22 being of children living apart from a parent. To im-
23 prove the ability of low-income noncustodial parents
24 to provide long-term support and care for their chil-
25 dren throughout their entire childhood, it is impor-

1 tant that child support polices support parental ef-
2 forts to pursue education and employment and to
3 stay involved with their children.

4 (25) Responsible parenthood includes active
5 participation in financial support and child-rearing,
6 as well as the formation and maintenance of a posi-
7 tive, healthy, and nonviolent relationship between
8 parent and child and a cooperative, healthy, and
9 nonviolent relationship between parents.

10 (26) States should be encouraged to implement
11 voluntary programs that provide support for respon-
12 sible parenting, including by increasing the employ-
13 ment and financial security of parents, and the pa-
14 rental involvement of noncustodial parents.

15 (27) Promoting responsible parenthood saves
16 the government money by reducing the need for pub-
17 lic assistance, increasing the educational attainment
18 of children, juvenile delinquency and crime, reducing
19 substance abuse, and lowering rates of unemploy-
20 ment.

21 (28) Programs to encourage responsible father-
22 hood or responsible motherhood should promote and
23 provide support services for—

24 (A) fostering loving and healthy relation-
25 ships between parents and children;

1 (B) increasing responsibility of noncusto-
2 dial parents for the long-term care and finan-
3 cial well-being of their children;

4 (C) increasing employment of low-income,
5 noncustodial parents and improving compliance
6 with child support obligations; and

7 (D) reducing barriers to active 2-parent in-
8 volvement and cooperative parenting.

9 (29) The promotion of marriage and responsible
10 parenthood should not denigrate the standing or
11 parenting efforts of single parents or other care-
12 givers, lessen the protection of children from abusive
13 parents, or compromise the safety or health of the
14 custodial or noncustodial parent, but should increase
15 the chance that children will have 2 caring parents
16 to help them grow up healthy and secure.

17 **TITLE I—PROMOTING RESPON-**
18 **SIBLE FATHERHOOD AND**
19 **STRENGTHENING LOW-IN-**
20 **COME FAMILIES**

21 **SEC. 101. HEALTHY MARRIAGE PROMOTION AND RESPON-**
22 **SIBLE FATHERHOOD PROGRAMS.**

23 (a) ENSURING FUNDING FOR RESPONSIBLE FA-
24 THERHOOD PROGRAMS.—Section 403(a)(2)(C) of the So-
25 cial Security Act (42 U.S.C. 603(a)(2)(C)) is amended—

1 (1) in the subparagraph heading, by striking
2 “LIMITATION ON USE OF” and inserting “REQUIRE-
3 MENT TO USE CERTAIN”; and

4 (2) in clause (i), by striking “may not award
5 more than \$50,000,000” and inserting “shall award
6 at least \$100,000,000”.

7 (b) REQUIREMENTS TO ENSURE PROCEDURES TO
8 ADDRESS DOMESTIC VIOLENCE PREVENTION.—

9 (1) IN GENERAL.—Section 403(a)(2) of the So-
10 cial Security Act (42 U.S.C. 603(a)(2)) is amend-
11 ed—

12 (A) by redesignating subparagraph (D) as
13 subparagraph (G); and

14 (B) by inserting after subparagraph (C)
15 the following new subparagraphs:

16 “(D) REQUIREMENTS FOR RECEIPT OF
17 FUNDS.—An entity may not be awarded a grant
18 under this paragraph unless the entity, as a
19 condition of receiving funds under such a
20 grant—

21 “(i) consults with domestic violence
22 organizations that have demonstrated ex-
23 pertise working with survivors of domestic
24 violence in developing policies, procedures,
25 programs and training necessary to appro-

1 priately address domestic violence in fami-
2 lies served by programs and activities
3 funded under such grant;

4 “(ii) describes in the application for a
5 grant under this paragraph—

6 “(I) how the programs or activi-
7 ties proposed to be conducted will ap-
8 propriately address issues of domestic
9 violence; and

10 “(II) what the entity will do, to
11 the extent relevant, to ensure that
12 participation in such programs or ac-
13 tivities is voluntary, and to inform po-
14 tential participants that their involve-
15 ment is voluntary;

16 “(iii) establishes a written protocol for
17 providers and administrators of programs
18 and activities relevant to the grant that—

19 “(I) provides for helping identify
20 instances or risks of domestic violence;
21 and

22 “(II) specifies the procedures for
23 making service referrals and providing
24 protections and appropriate assistance

1 for identified individuals and families;
2 and

3 “(iv) submits the annual reports re-
4 quired under subparagraph (E).

5 “(E) ANNUAL REPORTS TO THE SEC-
6 RETARY.—Each entity awarded a grant under
7 this paragraph shall submit to the Secretary an
8 annual report on the programs and activities
9 funded under the grant that includes the fol-
10 lowing:

11 “(i) A description of the written pro-
12 tocols developed in accordance with the re-
13 quirements of subparagraph (D)(iii) for
14 each program or activity funded under the
15 grant and how such protocols are used, in-
16 cluding specific policies and procedures for
17 addressing domestic violence issues within
18 each program or activity funded under the
19 grant and how confidentiality issues are
20 addressed.

21 “(ii) The name of each individual, or-
22 ganization, or entity that was consulted in
23 the development of such protocols.

24 “(iii) A description of each individual,
25 organization, or entity (if any) that pro-

1 vided training on domestic violence for the
2 entity or for any subgrantees.

3 “(iv) A description of any implemen-
4 tation issues identified with respect to do-
5 mestic violence and how such issues were
6 addressed.

7 “(F) DOMESTIC VIOLENCE DEFINED.—In
8 this paragraph, the term ‘domestic violence’ has
9 the meaning given that term in section
10 402(a)(7)(B).”.

11 (2) CONFORMING AMENDMENTS.—Section
12 403(a)(2) of such Act (42 U.S.C. 603(a)(2)) is
13 amended—

14 (A) in subparagraph (A)(i)—

15 (i) by striking “(B) and (C)” and in-
16 serting “(B), (C), (D), and (E)”; and

17 (ii) by striking “subparagraph (D)”
18 and inserting “subparagraph (G)”;

19 (B) in subparagraphs (B)(i) and (C)(i), by
20 striking “(D)” each place it appears and insert-
21 ing “(G)”; and

22 (C) in subparagraph (G) (as redesignated
23 by paragraph (1)(A)), by striking
24 “\$150,000,000 for each of fiscal years 2006
25 through 2010” and inserting “\$150,000,000

1 for each of fiscal years 2006 and 2007 and
2 \$200,000,000 for each of fiscal years 2008
3 through 2010”.

4 (c) ASSURANCE OF VOLUNTARY PARTICIPATION.—
5 Section 403(a)(2)(A)(ii)(II) of the Social Security Act (42
6 U.S.C. 603(a)(2)(A)(ii)(II)) is amended—

7 (1) in item (aa), by striking “and” at the end;

8 (2) in item (bb), by striking the period at the
9 end and inserting a semicolon; and

10 (3) by adding at the end the following new
11 items:

12 “(cc) to not condition the re-
13 ceipt of assistance under the pro-
14 gram funded under this part,
15 under a program funded with
16 qualified State expenditures (as
17 defined in section
18 409(a)(7)(B)(i)), or under any
19 other program funded under this
20 title on enrollment in any such
21 programs or activities; and

22 “(dd) to permit any indi-
23 vidual who has begun to partici-
24 pate in a particular program or
25 activity funded under this para-

1 graph, including an individual
2 whose participation is specified in
3 the individual responsibility plan
4 developed for the individual in
5 accordance with section 408(b),
6 to transfer to another such pro-
7 gram or activity funded under
8 this paragraph upon notification
9 to the entity and the State agen-
10 cy responsible for administering
11 the State program funded under
12 this part.”.

13 (d) ACTIVITIES PROMOTING RESPONSIBLE FATHER-
14 HOOD.—Section 403(a)(2)(C)(ii) of the Social Security
15 Act (42 U.S.C. 603(a)(2)(C)(ii)) is amended—

16 (1) in subclause (I), by striking “marriage or
17 sustain marriage” and insert “healthy relationships
18 and marriages or to sustain healthy relationships or
19 marriages”;

20 (2) in subclause (II), by inserting “educating
21 youth who are not yet parents about the economic,
22 social, and family consequences of early parenting,
23 helping participants in fatherhood programs work
24 with their own children to break the cycle of early
25 parenthood,” after “child support payments,”; and

1 (3) in subclause (III), by striking “fathers” and
2 inserting “low-income fathers and other low-income
3 noncustodial parents whom are not eligible for as-
4 sistance under the State program funded under this
5 part”.

6 (e) EFFECTIVE DATE.—The amendments made by
7 this section shall take effect on October 1, 2007.

8 **SEC. 102. GRANTS TO HEALTHY FAMILY PARTNERSHIPS**
9 **FOR DOMESTIC VIOLENCE PREVENTION, FOR**
10 **SERVICES FOR FAMILIES AND INDIVIDUALS**
11 **AFFECTED BY DOMESTIC VIOLENCE, AND**
12 **FOR DEVELOPING AND IMPLEMENTING BEST**
13 **PRACTICES.**

14 Section 403(a) of the Social Security Act (42 U.S.C.
15 603(a)) is amended by adding at the end the following
16 new paragraph:

17 “(6) GRANTS TO HEALTHY FAMILY PARTNER-
18 SHIPS FOR DOMESTIC VIOLENCE PREVENTION, FOR
19 SERVICES FOR FAMILIES AND INDIVIDUALS AF-
20 FECTED BY DOMESTIC VIOLENCE, AND FOR DEVEL-
21 OPING AND IMPLEMENTING BEST PRACTICES.—

22 “(A) IN GENERAL.—The Secretary shall
23 award grants on a competitive basis to healthy
24 family partnerships to—

1 “(i) conduct programs and activities
2 that are designed to prevent domestic vio-
3 lence;

4 “(ii) provide services for victims of do-
5 mestic violence; and

6 “(iii) develop and implement best
7 practices for preventing domestic violence,
8 particularly as a barrier to economic secu-
9 rity, and for providing services to families
10 and individuals affected by such violence
11 including through caseworker training and
12 the provision of technical assistance.

13 “(B) EDUCATION SERVICES.—In awarding
14 grants under subparagraph (A), the Secretary
15 shall ensure that 10 percent of the funds made
16 available under such grants are used for high
17 schools and other secondary educational institu-
18 tions and institutions of higher education to
19 provide education services on the value of
20 healthy relationships, responsible parenting,
21 and healthy marriages characterized by mutual
22 respect and non-violence, and the importance of
23 building relationships skills such as communica-
24 tion, conflict resolution, and budgeting.

1 “(C) APPLICATION.—The respective entity
2 and organization of a healthy family partner-
3 ship entered into for purposes of receiving a
4 grant under this paragraph shall submit a joint
5 application to the Secretary, at such time and
6 in such manner as the Secretary shall specify,
7 containing—

8 “(i) a description of how the partner-
9 ship intends to carry out the activities de-
10 scribed in subparagraph (A);

11 “(ii) an assurance that funds made
12 available under the grant shall be used to
13 supplement, and not supplant, other funds
14 used by the entity or organization to carry
15 out programs, activities, or services de-
16 scribed in subparagraph (A) or (B); and

17 “(iii) such other information as the
18 Secretary may require.

19 “(D) GENERAL RULES GOVERNING USE OF
20 FUNDS.—The rules of section 404, other than
21 subsection (b) of that section, shall not apply to
22 a grant made under this paragraph.

23 “(E) DEFINITIONS.—In this paragraph:

1 “(i) DOMESTIC VIOLENCE.—The term
2 ‘domestic violence’ has the meaning given
3 that term in section 402(a)(7)(B).

4 “(ii) HEALTHY FAMILY PARTNER-
5 SHIP.—The term ‘healthy family partner-
6 ship’ means a partnership between—

7 “(I) an entity receiving funds
8 under a grant made under paragraph
9 (2) to promote healthy marriage or re-
10 sponsible fatherhood; and

11 “(II) an organization described
12 in paragraph (2)(D)(i).

13 “(F) APPROPRIATION.—Out of any money
14 in the Treasury of the United States not other-
15 wise appropriated, there are appropriated for
16 each of fiscal years 2008 through 2010,
17 \$25,000,000 for purposes of awarding grants to
18 healthy family partnerships under this para-
19 graph.”.

20 **SEC. 103. ELIMINATION OF SEPARATE TANF WORK PAR-**
21 **TICIPATION RATE FOR 2-PARENT FAMILIES.**

22 (a) IN GENERAL.—Section 407 of the Social Security
23 Act (42 U.S.C. 607) is amended—

24 (1) in subsection (a)—

1 (A) beginning in the heading, by striking
2 “PARTICIPATION RATE REQUIREMENTS” and
3 all that follows through “A State” in paragraph
4 (1) and inserting “PARTICIPATION RATE RE-
5 QUIREMENTS.—A State”; and

6 (B) by striking paragraph (2);
7 (2) in subsection (b)—

8 (A) in paragraph (1)(A), by striking “sub-
9 section (a)(1)” and inserting “subsection (a)”;

10 (B) in paragraph (2), by striking the para-
11 graph heading and all that follows through “A
12 family” and inserting “SPECIAL RULE.—A fam-
13 ily”;

14 (C) in paragraph (4), by striking “para-
15 graphs (1)(B) and (2)(B)” and inserting “de-
16 termining monthly participation rates under
17 paragraph (1)(B)”;

18 (D) in paragraph (5), by striking “rates”
19 and inserting “rate”; and
20 (3) in subsection (c)—

21 (A) in paragraph (1)(B), in the matter
22 preceding clause (i), by striking “subsection
23 (b)(2)(B)” and inserting “subsection
24 (b)(1)(B)(i)”;

25 (B) in paragraph (2)(D)—

1 (i) by striking “paragraphs (1)(B)(i)
2 and (2)(B) of subsection (b)” and insert-
3 ing “subsection (b)(1)(B)(i)”; and

4 (ii) by striking “and in 2-parent fami-
5 lies, respectively,”.

6 (b) EFFECTIVE DATE.—

7 (1) IN GENERAL.—The amendments made by
8 subsection (a) shall take effect on the date of enact-
9 ment of this Act and shall apply to the determina-
10 tion of minimum participation rates for months be-
11 ginning on or after that date.

12 (2) LIMITATION ON PENALTY IMPOSITION.—
13 Notwithstanding section 409(a)(3) of the Social Se-
14 curity Act, the Secretary of Health and Human
15 Services shall not impose a penalty against a State
16 under that section on the basis of the State’s failure
17 to satisfy the participation rate required for fiscal
18 year 2006 and 2007 if the State demonstrates that
19 the State would have met such requirement if, with
20 respect to those months of fiscal year 2007 that
21 began prior to or on the date of enactment of this
22 Act, the State were permitted to count 2-parent
23 families that met the requirements of section
24 407(c)(1)(A) of the Social Security Act (42 U.S.C.
25 607(c)(1)(A)) in the determination of monthly par-

1 ticipation rates under section 407(b)(1)(B)(i) of
2 such Act (42 U.S.C. 607(b)(1)(B)(i)).

3 **SEC. 104. BAN ON RECOVERY OF MEDICAID COSTS FOR**
4 **BIRTHS.**

5 (a) BAN ON RECOVERY.—

6 (1) IN GENERAL.—Section 454 of the Social
7 Security Act (42 U.S.C. 654), is amended—

8 (A) by striking “and” at the end of para-
9 graph (32);

10 (B) by striking the period at the end of
11 paragraph (33) and inserting a semicolon; and

12 (C) by inserting after paragraph (33) the
13 following:

14 “(34) provide that, except as provided in sec-
15 tion 1902(a)(25)(F)(ii), the State shall not use the
16 State program operated under this part to collect
17 any amount owed to the State by reason of costs in-
18 curred under the State plan approved under title
19 XIX for the birth of a child for whom support rights
20 have been assigned pursuant to section 471(a)(17)
21 or 1912; and”.

22 (2) RULE OF CONSTRUCTION.—Nothing in sec-
23 tion 454(34) of the Social Security Act (42 U.S.C.
24 654(34)), as added by paragraph (1), shall be con-
25 strued as affecting the application of section

1 1902(a)(25) of such Act (42 U.S.C. 1396a(a)(25))
2 with respect to a State (relating to the State Med-
3 icaid plan requirement for the State to take all rea-
4 sonable measures to ascertain the legal liability of
5 third parties to pay for care and services available
6 under the plan).

7 (3) REPEAL OF CERTAIN DRA AMENDMENTS.—
8 For provisions repealing amendments to section 454
9 of the Social Security Act made by section
10 7301(b)(1)(C) of the Deficit Reduction Act of 2005,
11 see section 105(a)(3) of this Act.

12 (b) CLARIFICATION THAT BAN ON RECOVERY DOES
13 NOT APPLY WITH RESPECT TO INSURANCE OF A PARENT
14 WITH AN OBLIGATION TO PAY CHILD SUPPORT.—Clause
15 (ii) of section 1902(a)(25)(F) of the Social Security Act
16 (42 U.S.C. 1396a(a)(25)(F)) is amended by inserting
17 “only if such third-party liability is derived through insur-
18 ance,” before “seek”.

19 (c) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 take effect on October 1, 2007.

23 (2) EXTENSION OF EFFECTIVE DATE FOR
24 STATE LAW AMENDMENT.—In the case of a State
25 plan under title XIX of the Social Security Act (42

1 U.S.C. 1396 et seq.) which the Secretary of Health
2 and Human Services determines requires State legis-
3 lation in order for the plan to meet the additional
4 requirements imposed by the amendments made by
5 this section, the State plan shall not be regarded as
6 failing to comply with the requirements of such title
7 solely on the basis of its failure to meet these addi-
8 tional requirements before the first day of the first
9 calendar quarter beginning after the close of the
10 first regular session of the State legislature that be-
11 gins after the date of enactment of this Act. For
12 purposes of the previous sentence, in the case of a
13 State that has a 2-year legislative session, each year
14 of the session is considered to be a separate regular
15 session of the State legislature.

16 **SEC. 105. IMPROVED COLLECTION AND DISTRIBUTION OF**
17 **CHILD SUPPORT.**

18 (a) DISTRIBUTION OF CHILD SUPPORT.—

19 (1) FULL DISTRIBUTION OF CHILD SUPPORT
20 COLLECTED; REFORM OF RULES FOR DISTRIBUTION
21 OF CHILD SUPPORT COLLECTED ON BEHALF OF
22 CHILDREN IN FOSTER CARE.—

23 (A) IN GENERAL.—Section 457 of the So-
24 cial Security Act (42 U.S.C. 657) is amended—

1 (i) by striking subsection (a) and in-
2 serting the following:

3 “(a) FULL DISTRIBUTION OF AMOUNTS COLLECTED
4 ON BEHALF OF ANY FAMILY.—Subject to subsection (c),
5 the entire amount collected on behalf of any family as sup-
6 port by a State pursuant to a plan approved under this
7 part shall be paid by the State to the family, and shall
8 not be retained by the State to reimburse costs of assist-
9 ance provided under part A, part E, or any State-funded
10 assistance or benefits.”; and

11 (ii) by striking subsections (c)
12 through (e) and inserting the following:

13 “(c) AMOUNTS COLLECTED FOR CHILD FOR WHOM
14 FOSTER CARE MAINTENANCE PAYMENTS ARE MADE.—
15 Notwithstanding the preceding provisions of this section,
16 amounts collected by a State as child support for months
17 in any period on behalf of a child for whom a public agen-
18 cy is making foster care maintenance payments under part
19 E shall be paid to the public agency responsible for super-
20 vising the placement of the child, which may use the pay-
21 ments in the manner it determines will serve the best in-
22 terests of the child, including setting such payments aside
23 for the child’s future needs, depositing the funds in a child
24 asset account, or making all or a part thereof available

1 to the individual responsible for meeting the child’s day-
2 to-day needs.”.

3 (B) FOSTER CARE STATE PLAN AMEND-
4 MENT.—Section 471(a)(17) of the Social Secu-
5 rity Act (42 U.S.C. 671(a)(17)) is amended—

6 (i) by inserting “and consistent with
7 the child’s case plan” after “where appro-
8 priate”; and

9 (ii) by striking “secure an assignment
10 to the State of any rights to support” and
11 inserting “establish paternity and estab-
12 lish, modify, and enforce child support ob-
13 ligations”.

14 (C) SOCIAL SECURITY ACT AMEND-
15 MENTS.—

16 (i) CHILD SUPPORT STATE PLAN
17 AMENDMENT.—Section 454 of the Social
18 Security Act (42 U.S.C. 654), as amended
19 by section 104(a)(1), is amended by adding
20 at the end the following new paragraph:

21 “(35) provide that a State shall pay all col-
22 lected child support to the payee, except as provided
23 in section 457(c), and shall not use the State pro-
24 gram operated under this part to retain payments to

1 recover the cost of State-funded assistance or bene-
2 fits.”.

3 (ii) DISBURSEMENT OF SUPPORT PAY-
4 MENTS.—Section 454B(c) of the Social Se-
5 curity Act (42 U.S.C. 654B(c)) is amended
6 by adding at the end the following new
7 paragraph:

8 “(3) DISBURSEMENT TO FAMILIES.—The State
9 disbursement unit shall pay all collected child sup-
10 port to the payee, except as otherwise provided in
11 section 457, and may not disburse collections to the
12 State to reimburse the State for assistance or bene-
13 fits provided under a State-funded program.”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) Section 409(a)(7)(B)(i)(I)(aa) of such
16 Act (42 U.S.C. 609(a)(7)(B)(i)(I)(aa)) is
17 amended by striking “457(a)(1)(B)” and in-
18 serting “457(a)”.

19 (B) Section 454(5) of such Act (42 U.S.C.
20 654(5)) is amended by striking “(A) in any
21 case” and all that follows through “(B)”.

22 (C) Section 466(a)(3)(B) of such Act (42
23 U.S.C. 666(a)(3)(B)) is amended by striking
24 “408(a)(3) or 671(a)(17)”.

1 (3) REPEAL OF CERTAIN DRA AMENDMENTS.—
2 Effective on the date of enactment of this Act, sub-
3 sections (a) and (b) of section 7301 of the Deficit
4 Reduction Act of 2005 (Public Law 109–171; 120
5 Stat. 141) are repealed and parts A and D of title
6 IV of the Social Security Act shall be applied as if
7 the amendments made by such subsections had not
8 been enacted.

9 (b) PROHIBITION ON CONDITIONING RECEIPT OF
10 TANF ON ASSIGNMENT OF SUPPORT.—Section 408(a)(3)
11 of the Social Security Act (42 U.S.C. 608(a)(3)) is amend-
12 ed—

13 (1) in the paragraph heading, by striking “No
14 ASSISTANCE FOR FAMILIES NOT” and inserting
15 “PROHIBITION ON CONDITIONING ASSISTANCE FOR
16 FAMILIES ON”;

17 (2) by inserting “not” after “shall”;

18 (3) by inserting “or under a program funded
19 with qualified State expenditures (as defined in sec-
20 tion 409(a)(7)(B)(i))” after “this part”; and

21 (4) by striking “, not exceeding the total
22 amount of assistance so paid to the family,”.

23 (c) REQUIREMENT TO DISREGARD PERCENTAGE OF
24 CHILD SUPPORT COLLECTED IN DETERMINING AMOUNT
25 AND TYPE OF TANF ASSISTANCE.—Section 408(a) of the

1 Social Security Act (42 U.S.C. 608(a)) is amended by add-
2 ing at the end the following new paragraph:

3 “(12) REQUIREMENT TO DISREGARD PERCENT-
4 AGE OF CHILD SUPPORT COLLECTED IN DETER-
5 MINING AMOUNT AND TYPE OF TANF ASSISTANCE.—
6 A State to which a grant is made under section 403
7 shall disregard at least the same percentage of
8 amounts collected as support on behalf of a family
9 as the percentage of earned income that the State
10 disregards in determining the amount or type of as-
11 sistance provided to the family under the State pro-
12 gram funded under this part or under a program
13 funded with qualified State expenditures (as defined
14 in section 409(a)(7)(B)(i)).”.

15 (d) STATE OPTION TO DISCONTINUE OLDER SUP-
16 PORT ASSIGNMENTS.—Effective as if included in the
17 amendment made by section 7301(c) of the Deficit Reduc-
18 tion Act of 2005, section 457(b) of the Social Security
19 Act (42 U.S.C. 657(b)) is amended to read as follows:

20 “(b) CONTINUATION OF ASSIGNMENTS.—

21 “(1) IN GENERAL.—Any rights to support obli-
22 gations assigned to a State as a condition of receiv-
23 ing assistance from the State under parts A and E
24 and in effect on September 30, 2009 (or such earlier

1 date as the State may choose), may be discontinued
2 after such date.

3 “(2) DISTRIBUTION OF AMOUNTS AFTER AS-
4 SIGNMENT DISCONTINUATION.—If a State chooses to
5 discontinue the assignment of a support obligation
6 described in paragraph (1), the State may treat
7 amounts collected pursuant to the assignment as if
8 the amounts had never been assigned and may dis-
9 tribute the amounts to the family in accordance with
10 subsections (a) and (c).”

11 (e) RESTORATION OF FEDERAL FUNDING.—Effec-
12 tive on the date of enactment of this Act, section 7309
13 of the Deficit Reduction Act of 2005 (Public Law 109–
14 171; 120 Stat. 147) is repealed and part D of title IV
15 of the Social Security Act shall be applied as if the amend-
16 ment made by subsection (a) of that section had not been
17 enacted.

18 (f) REPEAL OF MANDATORY FEE FOR CHILD SUP-
19 PORT COLLECTION.—Effective on the date of enactment
20 of this Act, section 7310 of the Deficit Reduction Act of
21 2005 (Public Law 109–171; 120 Stat. 147) is repealed
22 and part D of title IV of the Social Security Act shall
23 be applied as if the amendments made by that section had
24 not been enacted.

1 (g) PROHIBITION ON CONSIDERING A PERIOD OF IN-
2 CARCERATION VOLUNTARY UNEMPLOYMENT.—Section
3 466(a) of the Social Security Act (42 U.S.C. 666(a)) is
4 amended by inserting after paragraph (19) the following
5 new paragraph:

6 “(20) PROCEDURES RELATING TO PERIODS OF
7 INCARCERATION OF NONCUSTODIAL PARENTS.—

8 “(A) IN GENERAL.—Procedures which re-
9 quire that, in determining or modifying the
10 amount of, or terms and conditions of, any sup-
11 port obligation of a noncustodial parent, the
12 State—

13 “(i) shall not consider any period of
14 incarceration of such parent as a period of
15 voluntary unemployment that disqualifies
16 the parent from obtaining a modification
17 of the support obligation consistent with
18 the parent’s ability to pay child support;
19 and

20 “(ii) subject to subparagraph (B) in
21 the case of an incarcerated parent, may—

22 “(I) temporarily suspend any
23 support obligation on the parent and
24 the enforcement of any support obli-

1 gation of the parent existing prior to
2 the period of incarceration; and

3 “(II) temporarily prohibit the ac-
4 crual of any interest on any support
5 obligation of the parent existing prior
6 to the period of incarceration during
7 any such period.

8 “(B) NOTICE AND OPPORTUNITY TO CHAL-
9 LENGE SUSPENSION.—Such procedures shall re-
10 quire the State to provide a custodial parent
11 with—

12 “(i) notice of any suspension of re-
13 view, adjustment, or enforcement of a sup-
14 port obligation and of any prohibition on
15 interest accrual on such obligation that is
16 imposed in accordance with subparagraph
17 (A)(ii); and

18 “(ii) an opportunity to request that
19 the suspension or prohibition be termi-
20 nated or modified on the basis that the
21 noncustodial parent has sufficient income
22 or resources to continue payment of the
23 support obligation during the noncustodial
24 parent’s period of incarceration.”.

1 (h) FORGIVING OR OTHER MODIFICATION OF CHILD
2 SUPPORT ARREARAGES ASSIGNED TO THE STATE.—Sec-
3 tion 466(a)(9) of the Social Security Act (42 U.S.C.
4 666(a)(9)) is amended in the flush matter following sub-
5 paragraph (C), by inserting the following new sentence at
6 the end: “Nothing in this paragraph shall be construed
7 as prohibiting a State from forgiving, compromising, re-
8 ducing or waiving arrearages permanently assigned to the
9 State under part A or E or under title XIX.”.

10 (i) REVIEW AND ADJUSTMENT OF CHILD SUPPORT
11 ARREARAGES UPON REQUEST.—Section 466(a)(10) of
12 the Social Security Act (42 U.S.C. 666(a)(10)) is amend-
13 ed by adding at the end the following new subparagraph:

14 “(D) REVIEW AND ADJUSTMENT OF AR-
15 REARAGES.—Procedures which require the
16 State to review, and if appropriate, reduce the
17 balance of arrearages permanently assigned to
18 the State under part A or E, or under title
19 XIX, pursuant to standards and procedures es-
20 tablished by the State, in cases where the obli-
21 gor lacks sufficient ability to pay the arrears,
22 adjustment will promote timely payment of cur-
23 rent support, or barriers, such as incarceration,
24 may have limited the ability of the obligor to
25 timely seek a modification of the order, and it

1 is in the best interests of the child to make
2 such reduction. Nothing in the preceding sen-
3 tence shall be construed as affecting arrearages
4 that have not been permanently assigned to the
5 State under such part or title.”.

6 (j) STUDY AND REPORT.—Not later than October 1,
7 2008, the Secretary of Health and Human Services shall
8 study and submit a report to Congress regarding the fol-
9 lowing:

10 (1) The effect of age eligibility restrictions for
11 the earned income tax credit established under sec-
12 tion 32 of the Internal Revenue Code of 1986 for in-
13 dividuals without qualifying children on—

14 (A) the ability of young parents to pay
15 child support;

16 (B) compliance with child support orders;
17 and

18 (C) the relationship between young non-
19 custodial parents and their children.

20 (2) The impact of State earned income tax
21 credit programs, especially such programs with tar-
22 geted benefits for noncustodial parents, on—

23 (A) the ability of noncustodial parents to
24 pay child support;

1 (B) compliance with child support orders;
2 and

3 (C) the relationship between noncustodial
4 parents and their children.

5 (3) The challenges faced by legal immigrants
6 and individuals for whom English is not their pri-
7 mary language in fulfilling child support and other
8 noncustodial parenting obligations.

9 (k) EFFECTIVE DATE.—

10 (1) IN GENERAL.—Except as otherwise pro-
11 vided in this section, the amendments made by this
12 section shall take effect on October 1, 2009, and
13 shall apply to payments under parts A and D of title
14 IV of the Social Security Act for calendar quarters
15 beginning on or after that date, and without regard
16 to whether regulations to implement the amend-
17 ments are promulgated by such date.

18 (2) STATE OPTION TO ACCELERATE EFFECTIVE
19 DATE.—Notwithstanding paragraph (1), a State
20 may elect to have the amendments made by the pre-
21 ceding provisions of this section apply to the State
22 and to amounts collected by the State (and to pay-
23 ments under parts A and D of title IV of such Act),
24 on and after such date as the State may select that
25 is not later than September 30, 2009.

1 **SEC. 106. GRANTS TO STATES TO CONDUCT DEMONSTRATION PROJECTS TO PROMOTE ECONOMIC OPPORTUNITY FOR LOW-INCOME PARENTS.**
2
3

4 (a) COURT-SUPERVISED OR IV-D AGENCY-SUPERVISED EMPLOYMENT PROGRAMS FOR NONCUSTODIAL PARENTS.—

7 (1) IN GENERAL.—The Secretary of Health and
8 Human Services shall award grants to States to conduct demonstration projects to establish, in coordination with counties and other local or tribal governments, court-supervised or IV-D agency supervised-employment programs for noncustodial parents who have barriers to employment and a history of non-payment of child support obligations, as determined by a court or the IV-D agency, and who are determined by the court or agency to be in need of employment services or placement in order to pay such child support obligations. A noncustodial parent described in the preceding sentence who is an offender shall be eligible to participate in a program established under this subsection.

22 (2) REQUIREMENTS.—

23 (A) OPTION TO PARTICIPATE PRIOR TO CONTEMPT FINDING.—A State shall not be eligible to receive a grant under this subsection unless any program established with funds

1 made available under the grant provides non-
2 custodial parents described in paragraph (1)
3 with an option to participate in the program
4 prior to the court or agency entering a finding
5 that the noncustodial parent is in contempt for
6 failure to pay a child support obligation and,
7 potentially subject to criminal penalties.

8 (B) PROGRAM GOALS.—An employment
9 program established with funds made available
10 under a grant awarded under this subsection
11 shall be designed to do the following:

12 (i) To assist noncustodial parents de-
13 scribed in paragraph (1) obtain and main-
14 tain unsubsidized employment.

15 (ii) To increase the amount of finan-
16 cial support received by children.

17 (iii) To help noncustodial parents de-
18 scribed in paragraph (1) improve relation-
19 ships with their children and their chil-
20 dren's custodial parent.

21 (C) 6 MONTHS OF CONTINUOUS, TIMELY
22 PAYMENTS.—An employment program estab-
23 lished with funds made available under this
24 subsection shall not permit a noncustodial par-
25 ent placed in the program to graduate from the

1 program and avoid penalties for failure to pay
2 a child support obligation until the noncustodial
3 parent completes at least 6 months of contin-
4 uous, timely payment of the parent's child sup-
5 port obligations.

6 (D) USE OF FUNDS.—

7 (i) Services provided under an employ-
8 ment program established with funds made
9 available under a grant made under this
10 subsection must include the following:

11 (I) Job placement, including job
12 development and supervised job search
13 as necessary.

14 (II) Case management, including
15 educational assessment and advising,
16 vocational assessment and career ex-
17 ploration services, and court liaison
18 services.

19 (III) Counseling on responsible
20 parenthood.

21 (IV) Referral for support and
22 educational services.

23 (V) Employment retention serv-
24 ices.

1 (ii) Services provided under an em-
2 ployment program established with funds
3 made available under a grant made under
4 this subsection may include the following:

5 (I) Remedial education services
6 or educational referral.

7 (II) Support funds for services
8 such as transportation, child care, or
9 short-term training.

10 (III) Transitional jobs programs.

11 (IV) Public-private career path-
12 way partnerships established in ac-
13 cordance with subsection (b)(2).

14 (V) Occupational skill training,
15 including college credit programs.

16 (VI) Curricula development.

17 (E) ADMINISTRATION.—A State that re-
18 ceives a grant under this subsection may con-
19 tract with a public or private nonprofit organi-
20 zation, including a faith-based or community-
21 based organization, to administer (in conjunc-
22 tion with the court of jurisdiction or the IV–D
23 agency) the court-supervised or IV–D agency-
24 supervised employment program.

1 (b) TRANSITIONAL JOBS AND PUBLIC-PRIVATE
2 PARTNERSHIP GRANTS.—The Secretary of Labor shall
3 award grant to States to conduct demonstration projects
4 to carry out one or more of the projects described in para-
5 graphs (1) and (2).

6 (1) TRANSITIONAL JOBS GRANTS.—

7 (A) IN GENERAL.—The Secretary of Labor
8 may award grants under this subsection to es-
9 tablish and expand transitional jobs programs
10 for eligible individuals, including such programs
11 conducted by local governments, State employ-
12 ment agencies, nonprofit organizations, and
13 faith-based or community-based organizations
14 or intermediaries, that—

15 (i) combine time-limited employment
16 in transitional jobs that may be subsidized
17 with public funds, with activities that pro-
18 mote skill development and remove barriers
19 to employment, such as case management
20 services and education, training, child sup-
21 port-related services, and other activities,
22 pursuant to individual plans; and

23 (ii) provide such individuals with—

24 (I) transitional jobs placements
25 and job placement assistance, to help

1 the individuals make the transition
2 from subsidized employment in transi-
3 tional jobs to stable unsubsidized em-
4 ployment; and

5 (II) retention services after the
6 transition to unsubsidized employ-
7 ment.

8 (B) ELIGIBLE INDIVIDUALS.—For pur-
9 poses of this paragraph, the term “eligible indi-
10 viduals” means individuals within any of the
11 following categories of disproportionately chron-
12 ically unemployed individuals:

13 (i) Individuals who have attained age
14 16, but not attained age 36, and who have
15 documented barriers to employment such
16 as lack of a high school diploma, limited
17 English proficiency, aging out of foster
18 care, or offender status, particularly such
19 individuals who are parents or expectant
20 parents.

21 (ii) Formerly incarcerated individuals.

22 (iii) Homeless or formerly homeless
23 individuals.

24 (iv) Individuals with disabilities.

1 (v) Individuals designated by a court
2 or the IV–D agency to participate in tran-
3 sitional jobs programs.

4 (C) LIMITATIONS ON USE OF FUNDS.—

5 (i) ALLOWABLE ACTIVITIES.—A State
6 that receives a grant under this paragraph
7 (or a subgrantee of such State) (referred
8 to in this paragraph as the “program oper-
9 ator”) shall use the funds made available
10 under the grant to operate a transitional
11 jobs program for eligible individuals con-
12 sistent with the following requirements:

13 (I) JOBS.—The program oper-
14 ator shall place eligible individuals in
15 temporary jobs, the incomes from
16 which may be subsidized in whole or
17 in part with public funds. An eligible
18 individual placed in such a job (re-
19 ferred to in this paragraph as “a par-
20 ticipant”) shall perform work directly
21 for the program operator or another
22 public, nonprofit, or private sector or-
23 ganization (which operator or organi-
24 zation may be referred to in this para-

1 graph as a “worksite employer”) with-
2 in the community involved.

3 (II) HOURS.—

4 (aa) IN GENERAL.—Subject
5 to item (bb), the transitional jobs
6 program shall provide a partici-
7 pant with not less than 30, and
8 not more than 40, hours per
9 week of a combination of paid
10 employment and the services de-
11 scribed in subclauses (III), (IV),
12 and (V).

13 (bb) ACCOMMODATION OF
14 SPECIAL CIRCUMSTANCES.—The
15 number of hours per week re-
16 quired under item (aa) may be
17 adjusted in the case of a partici-
18 pant who requires a modified
19 work week to accommodate spe-
20 cial circumstances.

21 (III) JOB PREPARATION AND
22 SERVICES.—The program operator
23 shall—

24 (aa) develop an individual
25 plan for each participant, which

1 shall contain a goal that focuses
2 on preparation of the participant
3 for unsubsidized jobs in demand
4 in the local economy that offer
5 the potential for advancement
6 and growth (including increases
7 in wages and benefits);

8 (bb) develop transitional
9 jobs placements for participants
10 that will best prepare them for
11 jobs described in item (aa) or
12 participation in the public-private
13 career pathway partnerships es-
14 tablished in accordance with
15 paragraph (2); and

16 (cc) provide case manage-
17 ment services and ensure that
18 appropriate education, training,
19 and other activities are available
20 to participants, consistent with
21 each participant's individual
22 plan.

23 (IV) JOB PLACEMENT ASSIST-
24 ANCE AND RETENTION SERVICES.—

25 The program operator shall provide

1 job placement assistance to help par-
2 ticipants obtain unsubsidized employ-
3 ment and shall provide retention serv-
4 ices to the participants for a minimum
5 of 6 months after entry into the un-
6 subsidized employment.

7 (V) EDUCATION OR TRAINING.—
8 In any workweek in which a partici-
9 pant is scheduled to work at least 30
10 hours in the program, not less than
11 20 percent of the scheduled hours and
12 not more than 50 percent of the
13 scheduled hours shall involve partici-
14 pation in—

15 (aa) education or training
16 activities designed to improve the
17 participant's employability and
18 potential earnings;

19 (bb) other activities designed
20 to reduce or eliminate any bar-
21 riers that may impede the par-
22 ticipant's ability to secure and
23 advance in unsubsidized employ-
24 ment; or

1 (cc) activities designed to
2 promote financial literacy and the
3 use of products and services that
4 increase personal savings and
5 build financial assets for family
6 support, education, homeownership,
7 and retirement.

8 (VI) DURATION.—

9 (aa) IN GENERAL.—Subject
10 to item (bb), the duration of any
11 placement in the program shall
12 be for a minimum period of 3
13 consecutive months.

14 (bb) 3 MONTH EXTENSION.—A program placement
15 may be extended for up to 2 additional
16 consecutive 3-month periods upon the conclusion of the
17 original 3-month placement period if such extension would be
18 consistent with the individual's
19 plan for transition to unsubsidized employment.
20
21
22
23

24 (VII) SUPERVISION.—The work-
25 site employer or program operator

1 shall supervise program participants,
2 consistent with the goal of addressing
3 the limited work experience and skills
4 of the participants.

5 (D) REPORTS.—Not later than 120 days
6 after the end of the grant period, the State
7 shall submit a report to the Secretary of Labor
8 that contains information on the number of
9 participants in the program who have entered
10 unsubsidized employment, the percentage of
11 program participants who are employed during
12 the second quarter after exit, the percentage of
13 program participants who are employed during
14 the fourth quarter after exit, the median earn-
15 ings of program participants during the second
16 quarter after exit, the percentage of program
17 participants who obtain an education or train-
18 ing credential during participation or within one
19 year of exit, and demographic information re-
20 garding the participants.

21 (E) TECHNICAL ASSISTANCE.—The Sec-
22 retary of Labor shall enter into contracts with
23 entities with demonstrated experience in the
24 provision of transitional jobs to provide tech-
25 nical assistance to the program operators and

1 worksite employers for the programs assisted
2 under this paragraph.

3 (2) PUBLIC-PRIVATE CAREER PATHWAYS PART-
4 NERSHIPS.—

5 (A) IN GENERAL.—To allow workforce
6 education providers representing career path-
7 way partnerships—

8 (i) to create or expand career path-
9 ways, with groups of employers in specific
10 industry or occupational sectors, for dis-
11 advantaged workers, which may include
12 any mix of such employers' existing lower
13 wage employees, new hires or potential
14 hires; or

15 (ii) to fill in gaps in career pathways
16 in particular localities or regions as needed
17 to ensure that career pathways are acces-
18 sible to unemployed disadvantaged workers
19 and at risk youth who have lower skills or
20 limited English proficiency, including
21 through the creation of workforce edu-
22 cation services, such as “bridge” programs
23 that contextualize basic skills, English lan-
24 guage, or college remedial education serv-
25 ices to specific career pathways, and ef-

1 forts to create opportunities for gaining
2 work experience in a career pathway.

3 (B) USE OF FUNDS.—Funds made avail-
4 able under a grant under this paragraph may
5 be used by career pathways partnerships for
6 any expense reasonably related to the accom-
7 plishment of the specific objectives of the part-
8 nership and the purpose described in this para-
9 graph, including any of the activities described
10 in subsection (a)(2)(D).

11 (C) LIMITATIONS.—

12 (i) IN GENERAL.—Of the funds made
13 available to a career pathway partnership
14 to carry out the purpose described in this
15 paragraph—

16 (I) not more than 30 percent of
17 such funds may be used to pay or
18 subsidize wages during a period of
19 work experience or internship, not to
20 exceed 90 days; and

21 (II) not more than 10 percent of
22 such funds may be used for adminis-
23 trative purposes, but this limitation
24 shall not apply to activities related to
25 building and maintaining partner-

1 ships, including such activities as con-
2 ducting workforce needs assessments,
3 brokering public-private and inter-
4 agency agreements, creating cus-
5 tomized curricula, and developing
6 work experience opportunities.

7 (ii) PROHIBITION ON SUBSIDIZING
8 WAGES OF CURRENT EMPLOYEES.—No
9 funds made available to carry out this
10 paragraph shall be used to subsidize the
11 wages of any individual who, as of the date
12 of the establishment of the career pathway
13 partnership, is an employee of any em-
14 ployer participating in the partnership.

15 (D) REQUIREMENTS FOR AWARDING OF
16 SUBGRANTS.—

17 (i) IN GENERAL.—Funds shall be
18 made available to career pathway partner-
19 ships to carry out the purpose described in
20 this paragraph based on a performance-
21 based accountability system that includes
22 the following measures of performance:

23 (I) The number of individuals to
24 be trained.

1 (II) The percentage of such indi-
2 viduals who complete the program.

3 (III) The percentage of such in-
4 dividuals who enter or advance in em-
5 ployment.

6 (IV) The wage and benefit gains
7 of individuals who complete the pro-
8 gram before and within 6 months
9 after their program completion, in-
10 cluding the extent to which the indi-
11 viduals achieved economic self-suffi-
12 ciency.

13 (V) The percentage of individuals
14 who complete the program and enter
15 employment who retain employment
16 for at least 6 months.

17 (VI) Where applicable, the per-
18 centage of individuals who owe child
19 support and complete the program
20 who improve in their payment of child
21 support within 6 months after their
22 program completion.

23 In establishing goals for such measures,
24 due consideration shall be given to the edu-
25 cation, work experience, and job readiness

1 of the individuals expected to participate in
2 the program; the barriers of such individ-
3 uals to employment, and the local job mar-
4 ket.

5 (ii) CONSIDERATIONS FOR FUNDING
6 RENEWALS.—A subgrantee’s level of suc-
7 cess in achieving employment, advance-
8 ment, wage, and employment retention
9 goals shall be a primary consideration for
10 determining whether to renew a grant
11 made to such entity and the funding level
12 for such grant.

13 (iii) PRIORITIES FOR AWARDS OF SUB-
14 GRANTS.—In awarding subgrants under
15 this paragraph, a State shall give priority
16 to applications that—

17 (I) propose to serve areas of high
18 poverty, high youth unemployment,
19 high drop out rates, or high rates of
20 low-income single-parent families;

21 (II) include a substantial cash or
22 in-kind match by all employers, in-
23 cluding joint labor-management pro-
24 grams where applicable, in the part-
25 nerships, such as paid release time for

1 employed workforce education partici-
2 pants;

3 (III) use instructional materials
4 and instructors directly used in the
5 specific business or industry sectors of
6 the partnership employers;

7 (IV) link successful completion of
8 workforce education services to wage
9 increases, promotions or job hires;

10 (V) will result in attainment of
11 employer-recognized occupational and
12 educational credentials;

13 (VI) address career guidance and
14 adult basic education and English lan-
15 guage needs as well as job-specific
16 skills;

17 (VII) demonstrate a blending of
18 resources from partner agencies in the
19 workforce system and other sectors
20 and Federal programs, including su-
21 perior procedures for coordinating re-
22 sponsible fatherhood promotion activi-
23 ties, where appropriate, to support the
24 development of high quality pathways;

1 (VIII) identify how the sub-
2 grantee will maximize services to un-
3 employed disadvantaged workers who
4 also face other barriers in the labor
5 market, such as high school dropout,
6 offender status, aging out of foster
7 care, low basic skill level, including
8 limited English proficiency, learning
9 disabilities, physical, emotional or be-
10 havior disabilities, or substance abuse
11 recovery, which may be through direct
12 relationships with local providers of
13 transitional jobs programs under
14 which in appropriate circumstances
15 transitional jobs participants may ac-
16 cess career pathways programs upon
17 completion of the transitional jobs
18 program; and

19 (IX) support collaboration, as ap-
20 propriate, between employers and
21 labor organizations and other work-
22 force development professionals, in-
23 cluding joint labor management train-
24 ing and education programs where ap-
25 propriate.

1 (E) DEFINITIONS.—In this paragraph:

2 (i) ADULT EDUCATION.—The term
3 “adult education” has the meaning given
4 that term in section 203 of the Workforce
5 Investment Act of 1998 (20 U.S.C. 9202).

6 (ii) CAREER PATHWAY.—The term
7 “career pathway” means a linked set of
8 workforce education and job opportunities
9 within a specific industry sector, or for an
10 occupational sector that cuts across mul-
11 tiple business and industry sectors, which
12 begins at the lowest skill and English lan-
13 guage levels, and extends through for-cred-
14 it college opportunities such as earning rel-
15 evant associate or bachelor’s degrees, and
16 prepares individuals for advancement in
17 jobs in demand in the local or regional
18 labor market.

19 (iii) COMMUNITY-BASED PROVIDER.—
20 The term “community-based provider”
21 means a not-for-profit organization, with
22 local boards of directors, that directly pro-
23 vides workforce education services.

24 (iv) INSTITUTION OF HIGHER EDU-
25 CATION.—The term “institution of higher

1 education” has the meaning given that
2 term in section 101 of the Higher Edu-
3 cation Act of 1965 (20 U.S.C. 1001).

4 (v) CHARTER SCHOOL.—The term
5 “charter school” has the meaning given
6 that term in section 5210 of the Elemen-
7 tary and Secondary Education Act of 1965
8 (20 U.S.C. 7221i).

9 (vi) AREA VOCATIONAL EDUCATION
10 SCHOOL.—The term “area vocational and
11 technical education school” has the mean-
12 ing given that term in section 3 of the Carl
13 D. Perkins Vocational and Technical Edu-
14 cation Act of 1998 (20 U.S.C. 2302).

15 (vii) DISADVANTAGED WORKERS.—
16 The term “disadvantaged workers” means
17 unemployed individuals in low-income
18 households or employed individuals in low-
19 income households with wages at or below
20 $\frac{2}{3}$ of the median wage for the State or re-
21 gion applying for the grant.

22 (viii) CAREER PATHWAY PARTNER-
23 SHIP.—The term “career pathway partner-
24 ship” means collaborations of 1 or more
25 workforce education providers, 1 or more

1 employers, 1 or more labor organizations,
2 where applicable, as a result of such orga-
3 nization’s representation of employees at
4 the worksite who have skills in which the
5 training or employment programs are pro-
6 posed, and may include optional additional
7 entities as needed to provide a comprehen-
8 sive range of workforce education and an-
9 cillary support services.

10 (ix) WORKFORCE EDUCATION.—The
11 term “workforce education” means a set of
12 career guidance and exploration services,
13 adult education and English language serv-
14 ices, job training, registered apprenticeship
15 programs, and credit and non-credit post-
16 secondary education services aimed at pre-
17 paring individuals to enter and sustain em-
18 ployment in specific occupations and to
19 have the sufficient skills to respond to
20 shifting employment opportunities.

21 (x) WORKFORCE EDUCATION PRO-
22 VIDER.—The term “workforce education
23 provider” means community-based pro-
24 viders, institutions of higher education,
25 area vocational and technical education

1 schools, charter schools, and other public
2 nonprofit entities that have a demonstrated
3 capacity to provide quality workforce edu-
4 cation services.

5 (c) MATCHING REQUIREMENT.—

6 (1) IN GENERAL .—The Secretary of Health
7 and Human Services and the Secretary of Labor
8 may not award a grant to a State under this section
9 unless the State agrees that, with respect to the
10 costs to be incurred by the State in conducting a
11 demonstration project with funds provided under the
12 grant, the State will make available non-Federal
13 contributions in an amount equal to 10 percent of
14 the amount of Federal funds paid to the State under
15 such grant.

16 (2) NON-FEDERAL CONTRIBUTIONS.—In this
17 subsection, the term “non-Federal contributions” in-
18 cludes contributions by the State and by public and
19 private entities that may be in cash or in kind, but
20 does not include any amounts provided by the Fed-
21 eral Government, or services assisted or subsidized
22 to any significant extent by the Federal Government,
23 or any amount expended by a State before October
24 1, 2007.

1 (d) WORKER PROTECTIONS AND LABOR STAND-
2 ARDS.—

3 (1) RATE OF PAY; BENEFITS AND WORKING
4 CONDITIONS.—

5 (A) IN GENERAL.—A worksite employer of
6 a participant in a program or activity funded
7 under this section shall pay the participant at
8 the rate paid to employees of the worksite em-
9 ployer who are not participants in such pro-
10 gram or activity and who perform comparable
11 work at the worksite, including periodic in-
12 creases where appropriate. If no other employ-
13 ees of the worksite employer perform com-
14 parable work at the worksite, the worksite em-
15 ployer shall pay the participant not less than
16 the applicable Federal or State minimum wage,
17 whichever is higher.

18 (B) BENEFITS AND CONDITIONS.—An in-
19 dividual employed through participation in a
20 program or activity funded under this section
21 shall be provided with benefits and working
22 conditions at the same level and to the same ex-
23 tent as such benefits and conditions are pro-
24 vided to other employees of the employer of the

1 individual who have worked a similar length of
2 time and perform the same work

3 (2) NONDUPLICATION.—

4 (A) IN GENERAL.—Funds provided
5 through a grant made under this paragraph
6 shall be used only for a program or activity that
7 does not duplicate, and is in addition to, a pro-
8 gram or activity otherwise available in the local-
9 ity of the program or activity funded under this
10 section.

11 (B) PRIVATE, NONPROFIT ENTITY.—Funds
12 provided through a grant made under this sec-
13 tion shall not be provided to a private nonprofit
14 entity to conduct programs or activities that are
15 the same as or substantially equivalent to ac-
16 tivities provided by a State or local government
17 agency in the area in which such entity is lo-
18 cated, unless the requirements of paragraph (3)
19 are met.

20 (3) NONDISPLACEMENT.—

21 (A) IN GENERAL.—A worksite employer
22 shall not displace an employee or position (in-
23 cluding partial displacement such as reduction
24 in hours, wages, or employment benefits) or im-
25 pair contracts for services or collective bar-

1 gaining agreements, as a result of the use by
2 such employer of a participant in a program or
3 activity funded under this section, and no par-
4 ticipant in the program or activity shall be as-
5 signed to fill any established unfilled position
6 vacancy.

7 (B) JOB OPPORTUNITIES.—A job oppor-
8 tunity shall not be created under this paragraph
9 that will infringe in any manner on the pro-
10 motional opportunity of an employed individual.

11 (C) LIMITATION ON SERVICES.—

12 (i) SUPPLANTATION OF HIRING.—A
13 participant in any program or activity
14 funded under this section shall not perform
15 any services or duties, or engage in activi-
16 ties, that will supplant the hiring of em-
17 ployees that are not participants in the
18 program or activity.

19 (ii) DUTIES FORMERLY PERFORMED
20 BY ANOTHER EMPLOYEE.—A participant
21 in any program or activity funded under
22 this section shall not perform services or
23 duties, or engage in activities, that are
24 services, duties, or activities that had been
25 performed by or were assigned to any em-

1 ployee who recently resigned or was dis-
2 charged, who is subject to a reduction in
3 force, who has recall rights pursuant to a
4 collective bargaining agreement or applica-
5 ble personnel procedures, who is on leave
6 (such as terminal, temporary, vacation,
7 emergency, or sick leave), who is on strike,
8 or who is being locked out.

9 (D) CONCURRENCE OF LOCAL LABOR OR-
10 GANIZATION.—No placement shall be made
11 under a program or activity funded under this
12 section until the entity conducting the program
13 or activity has obtained the written concurrence
14 of any local labor organization representing em-
15 ployees who are engaged in the same or sub-
16 stantially similar work as that proposed to be
17 carried out for the worksite employer with
18 whom a participant is to be placed under the
19 program or activity.

20 (4) NO IMPACT ON UNION ORGANIZING.—A
21 State conducting a demonstration project funded
22 under this section and any entity conducting a pro-
23 gram or activity funded under this section shall pro-
24 vide the Secretary with a certified assurance that

1 none of such funds shall be used to assist or deter
2 union organizing.

3 (5) ACCOUNTABILITY.—

4 (A) IN GENERAL.—Funds provided under
5 this section shall not be used to subsidize train-
6 ing or employment with an employer that has
7 a demonstrable record of noncompliance with
8 Federal labor, civil rights, workplace safety, or
9 related laws.

10 (B) CERTIFIED SATISFACTORY RECORD.—

11 Employers who receive training or wage sub-
12 sidies under programs or activities funded
13 under this section shall have a satisfactory
14 record in labor relations and employment prac-
15 tices, as certified by the Secretary of Labor.

16 (C) APPLICATION OF WORKER PROTEC-

17 TION LAWS.—A participant in a program or ac-
18 tivity funded under this section shall be consid-
19 ered to be an employee of any employer that
20 the participant is placed with for all purposes
21 under Federal and State law, including laws re-
22 lating to health and safety, civil rights, and
23 worker's compensation.

24 (D) OTHER JOB QUALITY STANDARDS.—

25 Employers who receive training or wage sub-

1 sidies under programs or activities funded
2 under this section shall meet all applicable
3 State or local job or employer quality standards
4 regarding such issues as wages, benefits, ad-
5 vancement opportunities, and turnover rates es-
6 tablished for programs funded under the Work-
7 force Investment Act of 1998 (29 U.S.C. 2801
8 et seq.).

9 (6) GRIEVANCE PROCEDURE.—An entity con-
10 ducting a program or activity funded under this sec-
11 tion shall establish and maintain a procedure for the
12 filing and adjudication of grievances by employees of
13 worksite employers who are not participants in the
14 program, or such employees’ representatives, or by
15 participants in such a program or activity alleging a
16 violation of a provision of this subsection that is
17 similar to the grievance procedure established by a
18 State for purposes of section 407(f)(3) of the Social
19 Security Act (42 U.S.C. 607(f)(3)).

20 (7) NONPREEMPTION OF STATE LAW.—The
21 provisions of this subsection shall not be construed
22 to preempt any provision of State law that affords
23 greater protections to employees or participants than
24 are afforded by this subsection.

1 (8) TREATMENT OF AMOUNTS PAID TO PAR-
2 TICIPANTS.—Amounts paid to a participant in a
3 program or activity funded under this section shall
4 be—

5 (A) considered earned income for purpose
6 of determining the participant's eligibility for
7 the child tax credit established under section 24
8 of the Internal Revenue Code of 1986, the
9 earned income tax credit established under sec-
10 tion 32 of such Code, and any other tax benefit
11 established under such Code the eligibility for
12 which is based on earned income; and

13 (B) disregarded for purposes of deter-
14 mining the participant's, the participant's fam-
15 ily's, or the participant's household's eligibility
16 for, or amount of, assistance or benefits pro-
17 vided under any means-tested program funded
18 in whole or in part with Federal funds.

19 (e) APPLICATION.—

20 (1) REQUIREMENTS FOR ALL APPLICATIONS.—

21 (A) IN GENERAL.—A State desiring to re-
22 ceive a grant to conduct a demonstration
23 project under this section shall submit an appli-
24 cation—

1 (i) to the Secretary of Health and
2 Human Services, in the case of a grant
3 under subsection (a); or

4 (ii) to the Secretary of Labor, in the
5 case of a grant under subsection (b);

6 at such time, in such manner, and containing
7 such information or assurances as the Secretary
8 of Health and Human Services or the Secretary
9 of Labor, as appropriate, may require.

10 (B) COMPLIANCE WITH WORKER PROTEC-
11 TIONS AND LABOR STANDARDS.—The applica-
12 tion shall include an assurance that the State
13 and any entity conducting a program or activity
14 under the project shall comply with the worker
15 protections and labor standards established in
16 accordance with such protections under sub-
17 section (d),

18 (C) NONDISCRIMINATION.—The applica-
19 tion shall include an assurance that the State
20 and any entity conducting a program or activity
21 under the demonstration project shall comply
22 with section 188(a)(2) of the Workforce Invest-
23 ment Act of 1998 (29 U.S.C. 2938(a)(2)) to
24 the same extent that such section would apply
25 to the entity if the program or activity con-

1 ducted under the demonstration project was
2 considered to be funded or otherwise financially
3 assisted under that Act.

4 (D) ASSURANCE GRANT WILL SUPPLE-
5 MENT, NOT SUPPLANT, OTHER STATE FUND-
6 ING.—The application shall include an assur-
7 ance from the chief executive officer of the
8 State that funds made available under the
9 grant will supplement, and not supplant, other
10 funds used by the State to establish or support
11 employment placements for low-income parents.

12 (2) SPECIFIC DEMONSTRATION PROJECT RE-
13 QUIREMENTS.—

14 (A) COURT-SUPERVISED OR IV-D AGENCY-
15 SUPERVISED EMPLOYMENT PROGRAMS FOR
16 NONCUSTODIAL PARENTS.—In order to conduct
17 a demonstration project described in subsection
18 (a), a State shall include in the application sub-
19 mitted to the Secretary of Health and Human
20 Services the following:

21 (i) Evidence of an agreement between
22 the State and 1 or more counties to estab-
23 lish an employment program that meets
24 the requirements of subsection (a).

1 (ii) The number of potential noncusto-
2 dial parents to be served by the program.

3 (iii) The purposes specific to that
4 State's program.

5 (iv) The median income of the target
6 population.

7 (B) PUBLIC-PRIVATE CAREER PATHWAYS
8 PARTNERSHIPS.—In order to conduct a dem-
9 onstration project described in paragraph (2) of
10 subsection (b), a State shall include in the ap-
11 plication submitted to the Secretary of Labor a
12 description of—

13 (i) the number, characteristics, and
14 employment and earnings status of dis-
15 advantaged individuals in the State or ap-
16 plicable region where the program is to be
17 conducted;

18 (ii) which business and industry sec-
19 tors, or occupational clusters that cut
20 across sectors, will be targeted by the ca-
21 reer pathways partnership, based on over-
22 all economic benefit to the community, the
23 current and future demand for workers,
24 the advancement opportunities for workers,

1 the wages at each step of the career path-
2 way, and availability of worker benefits;

3 (iii) the interventions that will be put
4 in place to address any educational defi-
5 cits, limited English proficiency, or learn-
6 ing disabilities of individuals who partici-
7 pate in the program and to ensure that
8 such individuals have the academic, tech-
9 nical, communications, and other job skills
10 to function in the jobs targeted by the
11 partnership;

12 (iv) how the members of the partner-
13 ship will collaborate on the development of
14 curriculum and delivery of training that
15 will provide the necessary occupational,
16 academic and other work-related skills and
17 credentialing needed for the specific labor
18 market areas;

19 (v) the supports that will be used to
20 provide counseling, mentoring or other
21 support to individuals while in training or
22 to assist them in navigating in complicated
23 work environments;

24 (vi) the set of career exposure activi-
25 ties that will be put in place to provide

1 hands-on experience such as work experi-
2 ence, on the job training, internships, or
3 work-study;

4 (vii) the agreements that are in place
5 with employers, industry groups, and labor
6 organizations, where applicable, to ensure
7 access to jobs and advancement opportuni-
8 ties in the targeted businesses, industry or
9 occupations;

10 (viii) how the workforce education
11 providers in the partnership will assess the
12 employment barriers and needs of local
13 disadvantaged individuals who participate
14 in the program and will identify resources
15 for meeting those needs;

16 (ix) how the workforce education pro-
17 viders will work with partnership employ-
18 ers, business and industry groups, labor
19 organizations, where applicable, and local
20 economic development organizations to
21 identify the priority workforce needs of the
22 local industry;

23 (x) how the partnerships will ensure
24 that the appropriate program delivery
25 models and formal agreements are in place

1 to ensure maximum benefits to the individ-
2 uals receiving career pathway partnership
3 services and to the employers and labor or-
4 ganizations, where applicable, in the part-
5 nership and the industries or businesses
6 they represent;

7 (xi) how partnership employers and
8 labor organizations, where applicable, will
9 be actively involved in identifying specific
10 workforce education needs, planning the
11 curriculum, assisting in training activities,
12 providing job opportunities, and coordi-
13 nating job retention for individuals hired
14 after training through the program and
15 follow-up support; and

16 (xii) how the partnership will build on
17 existing career pathways programs, where
18 applicable, to serve the targeted popu-
19 lation.

20 (3) APPLICATIONS BY INDIAN TRIBES OR TRIB-
21 AL ORGANIZATIONS.—The Secretary of Health and
22 Human Services and the Secretary of Labor may ex-
23 empt an Indian tribe or tribal organization from any
24 requirement of this section that the Secretary of
25 Health and Human Services or the Secretary of

1 Labor determines would be inappropriate to apply to
2 the Indian tribe or tribal organization, taking into
3 account the resources, needs, and other cir-
4 cumstances of the Indian tribe or tribal organiza-
5 tion.

6 (f) PRIORITIES AND REQUIREMENTS FOR AWARDING
7 GRANTS.—

8 (1) IN GENERAL.—Subject to paragraphs (2)
9 and (3), the Secretary of Health and Human Serv-
10 ices (in the case of a grant under subsection (a))
11 and the Secretary of Labor (in the case of a grant
12 under subsection (b)) shall give priority to making
13 grants under this section to entities that—

14 (A) demonstrate success with respect to
15 meeting the goals of quality job placement,
16 long-term unsubsidized job retention, and,
17 where applicable, increasing child support pay-
18 ments, decreasing unpaid child support arrear-
19 ages, and increasing the involvement of low-in-
20 come noncustodial parents with their children
21 through their participation in responsible fa-
22 therhood activities, including participation in
23 programs that provide culturally-relevant cur-
24 ricula in core subjects including—

25 (i) conducting activities with children;

- 1 (ii) improving communication skills;
- 2 (iii) child support management;
- 3 (iv) providing financially for the fam-
- 4 ily's security and wellbeing;
- 5 (v) managing stress and anger;
- 6 (vi) maintaining physical and mental
- 7 health;
- 8 (vii) parenting and relationship skills;
- 9 (viii) child development; and
- 10 (ix) barriers to responsible parent-
- 11 hood, including substance abuse, unem-
- 12 ployment, eriminal justice system involve-
- 13 ment, and inadequate housing; and
- 14 (B) coordinate with, and link individuals
- 15 as applicable to, other public and private bene-
- 16 fits and employment services for low-income
- 17 adults among the different systems or programs
- 18 in which such adults are involved, including the
- 19 eriminal justice system, the State programs
- 20 funded under each part of title IV of the Social
- 21 Security Act (42 U.S.C. 601 et seq.) (including
- 22 programs and activities funded under section
- 23 403(a)(2) of the Social Security Act (42 U.S.C.
- 24 603(a)(2)), educational assistance and student

1 aid programs, and job training or employment
2 programs, including State employment agencies.

3 (2) PERFORMANCE MEASURES.—In making
4 grants under this section, the Secretary of Health
5 and Human Services (in the case of a grant under
6 subsection (a)) and the Secretary of Labor (in the
7 case of a grant under subsection (b)) shall ensure
8 that grantees demonstrate a plan for implementing
9 measures to track their performance with respect to
10 meeting the goals of quality job placement, long-
11 term unsubsidized job retention, and, where applica-
12 ble, increasing child support payments, decreasing
13 child support arrearages, and increasing the involve-
14 ment of low-income noncustodial parents with their
15 children.

16 (3) REFLECTIVE OF TARGET POPULATIONS.—
17 In making grants under this section, the Secretary
18 of Health and Human Services (in the case of a
19 grant under subsection (a)) and the Secretary of
20 Labor (in the case of a grant under subsection (b))
21 shall give priority to States with proposed dem-
22 onstration projects that are designed to target low-
23 income adults, including custodial and noncustodial
24 parents, and low-income married couples.

1 (4) SUBSTANTIAL FUNDING FOR EACH OF THE
2 PURPOSES.—In making grants under subsection (b),
3 the Secretary of Labor shall ensure that a substan-
4 tial share of the amount appropriated under sub-
5 section (j) for a fiscal year is used for carrying out
6 each of the projects described in paragraphs (1) and
7 (2) of subsection (b).

8 (g) REGULATORY AND POLICY FLEXIBILITY.—The
9 Secretary of Labor and the Secretary of Health and
10 Human Services, in coordination with the Secretary of
11 Education and the Attorney General, shall work with
12 grantees under this section to resolve policy barriers that
13 may impede blending of federal resources to support these
14 demonstration projects.

15 (h) EVALUATION.—The Secretary of Health and
16 Human Services (in the case of a grant under subsection
17 (a)) and the Secretary of Labor (in the case of a grant
18 under subsection (b)) shall provide for an independent and
19 rigorous evaluation of the demonstration projects con-
20 ducted under this section that includes, to the maximum
21 extent feasible, random assignment or other appropriate
22 statistical techniques, in order to assess the effectiveness
23 of the projects.

24 (i) GENERAL DEFINITIONS.—In this section:

1 (1) STATE.—The term “State” means each of
2 the 50 States, the District of Columbia, the Com-
3 monwealth of Puerto Rico, the United States Virgin
4 Islands, Guam, American Samoa, and includes an
5 Indian tribe or tribal organization.

6 (2) IV-D AGENCY.—The term “IV-D agency”
7 means the State or local agency responsible for ad-
8 ministering the State program established under
9 part D of title IV of the Social Security Act (42
10 U.S.C. 651 et seq.).

11 (3) INDIAN TRIBE; TRIBAL ORGANIZATION.—
12 The terms “Indian tribe” and “tribal organization”
13 have the meaning given such terms in section 4 of
14 the Indian Self-Determination and Education Assist-
15 ance Act (25 U.S.C. 450b).

16 (j) APPROPRIATION.—Out of any money in the
17 Treasury of the United States not otherwise appropriated,
18 there are appropriated to carry out this section—

19 (1) for programs administered by the Secretary
20 of Health and Human Services under subsection (a),
21 \$15,000,000 for each of fiscal years 2008 through
22 2010; and

23 (2) for programs administered by the Secretary
24 of Labor under subsection (b), \$35,000,000 for each
25 of fiscal years 2008 through 2010.

1 **SEC. 107. STATE ASSESSMENTS OF BARRIERS TO EMPLOY-**
2 **MENT AND FINANCIAL SUPPORT OF CHIL-**
3 **DREN.**

4 (a) STATE ASSESSMENTS AND REPORTS.—As a con-
5 dition of the continued approval of a State plan under part
6 D of title IV of the Social Security Act (42 U.S.C. 651
7 et seq.), each State with an approved such plan, acting
8 through the appropriate State agencies, shall assess the
9 State policies with respect to the issues described in sub-
10 section (b) and submit a report to the Secretary of Health
11 and Human Services on the results of such assessment
12 not later than March 15, 2008.

13 (b) ISSUES DESCRIBED.—For purposes of subsection
14 (a), the issues described in this subsection are the fol-
15 lowing:

16 (1) The process of setting and modifying child
17 support obligations, particularly with respect to low-
18 income parents, including—

19 (A) the role and criteria for using imputed
20 income in determining child support obligations;

21 (B) the process of modifying obligations;

22 (C) the consideration of income and em-
23 ployment status, including efforts to identify
24 unreported income;

25 (D) the consideration of incarceration;

26 (E) the consideration of disability;

1 (F) the treatment of arrearages, including
2 interest charged, and laws or procedures that
3 interfere with forgiveness, adjustment, waiver,
4 or compromise of arrears owed to the State by
5 low-income noncustodial parents who lack suffi-
6 cient ability to pay such arrearages;

7 (G) the procedures related to retroactive
8 support; and

9 (H) State pass-through and disregard poli-
10 cies for recipients of means tested public bene-
11 fits.

12 (2) The impact of state criminal laws and law
13 enforcement practices on the employment acquisi-
14 tion, retention, and advancement prospects of indi-
15 viduals following arrest, conviction, or incarceration,
16 including—

17 (A) any efforts, including counseling or
18 employment support, to assist ex-prisoners with
19 reentry to a community and successful reunifi-
20 cation with their families; and

21 (B) an assessment of any efforts to seal or
22 expunge arrest and conviction records and any
23 efforts to grant certificates or other acknowl-
24 edgments of rehabilitation to ex-prisoners, and

1 to examine State occupational licensing and cer-
2 tification procedures.

3 (3) An assessment of the impact of debt on em-
4 ployment retention, including child support and non-
5 child support debts imposed to recover costs related
6 to welfare and criminal justice.

7 (4) An assessment of State practices related to
8 providing prisoners and ex-prisoners with valid iden-
9 tification documents upon release from prison.

10 (5) Identification of any other barriers to
11 healthy family formation or sustainable economic op-
12 portunity for custodial and noncustodial parents that
13 are created or exacerbated by Federal or State laws,
14 policies, or procedures, including an examination of
15 the rules of Federal and State means-tested pro-
16 grams, the operation of the State workforce system,
17 the availability of financial education services, and
18 the availability of domestic violence services and
19 child support procedures to help victims of domestic
20 violence stay safe and obtain the child support they
21 are owed.

22 (c) GRANTS TO STATES FOR COMMISSIONS ON STATE
23 LAW IMPROVEMENTS IN THE BEST INTEREST OF CHIL-
24 DREN AND FAMILIES.—The Secretary of Health and
25 Human Services shall award grants to States to establish

1 or support commissions to review the State assessment
2 conducted in accordance with subsection (a) and to make
3 recommendations on ways to improve State law in the best
4 interest of children and families.

5 (d) APPROPRIATIONS.—Out of any money in the
6 Treasury of the United States not otherwise appropriated,
7 there are appropriated to the Secretary of Health and
8 Human Services for the period of fiscal years 2008
9 through 2009, \$3,000,000, to remain available until ex-
10 pended, for the purpose of making—

11 (1) payments to States to offset all or a portion
12 of the costs of conducting the State assessments and
13 reports required under subsection (a); and

14 (2) grants to States under subsection (c).

15 **SEC. 108. COLLECTION OF CHILD SUPPORT UNDER THE**
16 **FOOD STAMP PROGRAM.**

17 (a) ENCOURAGEMENT OF COLLECTION OF CHILD
18 SUPPORT.—Section 5 of the Food Stamp Act of 1977 (7
19 U.S.C. 2014) is amended—

20 (1) in subsection (e)—

21 (A) by redesignating paragraphs (5) and
22 (6) as paragraphs (6) and (7), respectively;

23 (B) in paragraph (4)(B), by striking
24 “paragraph (6)” and inserting “paragraph
25 (7)”; and

1 (C) by inserting after paragraph (4) the
2 following:

3 “(5) DEDUCTION FOR CHILD SUPPORT RE-
4 CEIVED.—

5 “(A) IN GENERAL.—A household shall be
6 allowed a deduction of 20 percent of all legally
7 obligated child support payments received from
8 an identified or putative parent of a child in the
9 household if that parent is not a household
10 member.

11 “(B) ORDER OF DETERMINING DEDUC-
12 TIONS.—A deduction under this paragraph shall
13 be determined before the computation of the ex-
14 cess shelter deduction under paragraph (7).”;
15 and

16 (2) in subsection (k)(4)(B), by striking “sub-
17 section (e)(6)” and inserting “subsection (e)(7)”;

18 (b) SIMPLIFIED VERIFICATION OF CHILD SUPPORT
19 PAYMENTS.—Section 5(n) of the Food Stamp Act of 1977
20 (7 U.S.C. 2014(n)) is amended—

21 (1) in the subsection heading, by striking
22 “STATE OPTIONS TO SIMPLIFY”, and inserting
23 “SIMPLIFIED”; and

24 (2) by striking “Regardless of whether” and in-
25 serting the following:

1 “(1) IN GENERAL.—A household that is paying
2 legally obligated child support through the program
3 under part D of title IV of the Social Security Act
4 (42 U.S.C. 651 et seq.) shall receive—

5 “(A) a deduction under subsection (e)(4);
6 or

7 “(B) an exclusion for paid child support
8 under subsection (d)(3).

9 “(2) STATE OPTIONS.—Regardless of whether”.

10 (c) INCLUSION OF ECONOMIC OPPORTUNITIES PRO-
11 GRAMS IN DEFINITION OF WORK PROGRAM.—Section
12 6(o)(2) of the Food Stamp Act of 1977 (7 U.S.C.
13 2015(o)(2)) is amended—

14 (1) in subparagraph (C), by striking “or” at
15 the end;

16 (2) in subparagraph (D), by striking the period
17 at the end and inserting “; or”; and

18 (3) by adding at the end the following:

19 “(E) participate in and comply with the re-
20 quirements of a demonstration project under
21 section 106 of the Responsible Fatherhood and
22 Healthy Families Act of 2007;”.

23 (d) EFFECTIVE DATE.—

1 (1) IN GENERAL.—This section and the amend-
2 ments made by this section take effect on October
3 1, 2007.

4 (2) STATE OPTION.—A State may implement
5 the amendments made by subsections (a) and (b) for
6 participating households at the first recertification of
7 the households that occurs on or after October 1,
8 2007.

9 **TITLE II—REVENUE PROVISIONS**

10 **SEC. 201. EXPANSION OF EARNED INCOME CREDIT FOR EL-** 11 **IGIBLE INDIVIDUALS WITH NO QUALIFYING** 12 **CHILDREN.**

13 (a) INCREASE IN EARNED INCOME AMOUNT.—The
14 table in subparagraph (A) of section 32(b)(2) of the Inter-
15 nal Revenue Code of 1986 is amended by striking
16 “\$4,220” and inserting “\$5,500”.

17 (b) EXPANSION OF MARRIAGE PENALTY RELIEF.—
18 Subparagraph (B) of section 32(b)(2) of such Code is
19 amended by striking “and” at the end of clause (ii) and
20 by clause (iii) and inserting the following new clauses:

21 “(iii) \$3,000 in the case of taxable
22 years beginning in 2007, and

23 “(iv) \$4,000 in the case of taxable
24 years beginning after 2007.”.

25 (c) ADJUSTMENTS FOR INFLATION.—

1 (1) EARNED INCOME AMOUNT.—Subparagraph
2 (B) of section 32(j)(1) of such Code is amended by
3 striking “and” at the end of clause (i), by striking
4 the period at the end of clause (ii) and inserting “,
5 and”, and by inserting after clause (ii) the following
6 new clause:

7 “(iii) in the case of the \$10,000
8 amount in the table in subsection
9 (b)(2)(A), by substituting ‘calendar year
10 2006’ for ‘calendar year 1992’ in subpara-
11 graph (B) of such section 1.”.

12 (2) MARRIAGE PENALTY AMOUNT.—Clause (ii)
13 of section 32(j)(1)(B) of such Code is amended—

14 (A) by striking “\$3,000” and inserting
15 “\$4,000”, and

16 (B) by striking “2007” and inserting
17 “2008”.

18 (3) CONFORMING AMENDMENT.—Section
19 32(j)(1)(B)(i) of such Code is amended by inserting
20 “except as provided in clause (iii),” before “in the
21 case of”.

22 (d) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to taxable years beginning after
24 December 31, 2006.

1 **SEC. 202. BROKER REPORTING OF CUSTOMER'S BASIS IN**
2 **SECURITIES TRANSACTIONS.**

3 (a) IN GENERAL.—Section 6045 of the Internal Rev-
4 enue Code of 1986 (relating to returns of brokers) is
5 amended by adding at the end the following new sub-
6 section:

7 “(g) ADDITIONAL INFORMATION REQUIRED IN THE
8 CASE OF SECURITIES TRANSACTIONS.—

9 “(1) IN GENERAL.—If a broker is otherwise re-
10 quired to make a return under subsection (a) with
11 respect to any applicable security, the broker shall
12 include in such return the information described in
13 paragraph (2).

14 “(2) ADDITIONAL INFORMATION REQUIRED.—

15 “(A) IN GENERAL.—The information re-
16 quired under paragraph (1) to be shown on a
17 return with respect to an applicable security of
18 a customer shall include for each reported ap-
19 plicable security the customer's adjusted basis
20 in such security.

21 “(B) EXEMPTION FROM REQUIREMENT.—
22 The Secretary shall issue such regulations or
23 guidance as necessary concerning the applica-
24 tion of the requirement under subparagraph (A)
25 in cases in which a broker in making a return
26 does not have sufficient information to meet

1 such requirement with respect to the reported
2 applicable security. Such regulations or guid-
3 ance may—

4 “(i) require such other information re-
5 lated to such adjusted basis as the Sec-
6 retary may prescribe, and

7 “(ii) exempt classes of cases in which
8 the broker does not have sufficient infor-
9 mation to meet either the requirement
10 under subparagraph (A) or the require-
11 ment under clause (i).

12 “(3) INFORMATION TRANSFERS.—To the extent
13 provided in regulations, there shall be such ex-
14 changes of information between brokers as such reg-
15 ulations may require for purposes of enabling such
16 brokers to meet the requirements of this subsection.

17 “(4) DEFINITIONS.—For purposes of this sub-
18 section, the term ‘applicable security’ means any—

19 “(A) security described in subparagraph
20 (A) or (C) of section 475(e)(2),

21 “(B) interest in a regulated investment
22 company (as defined in section 851), or

23 “(C) other financial instrument designated
24 in regulations prescribed by the Secretary.”.

1 (b) EFFECTIVE DATE.—The amendment made by
2 this section shall apply to returns the due date for which
3 (determined without regard to extensions) is after Decem-
4 ber 31, 2009, with respect to securities acquired after De-
5 cember 31, 2008.

6 **SEC. 203. MODIFICATION OF EFFECTIVE DATE OF LEASING**
7 **PROVISIONS OF THE AMERICAN JOBS CRE-**
8 **ATION ACT OF 2004.**

9 (a) LEASES TO FOREIGN ENTITIES.—Section 849(b)
10 of the American Jobs Creation Act of 2004 is amended
11 by adding at the end the following new paragraph:

12 “(5) LEASES TO FOREIGN ENTITIES.—In the
13 case of tax-exempt use property leased to a tax-ex-
14 empt entity which is a foreign person or entity, the
15 amendments made by this part shall apply to taxable
16 years beginning after December 31, 2006, with re-
17 spect to leases entered into on or before March 12,
18 2004.”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 this section shall take effect as if included in the enact-
21 ment of the American Jobs Creation Act of 2004.

22 **SEC. 204. CLARIFICATION OF ECONOMIC SUBSTANCE DOC-**
23 **TRINE.**

24 (a) IN GENERAL.—Section 7701 of the Internal Rev-
25 enue Code of 1986 is amended by redesignating subsection

1 (o) as subsection (p) and by inserting after subsection (n)
2 the following new subsection:

3 “(o) CLARIFICATION OF ECONOMIC SUBSTANCE
4 DOCTRINE; ETC.—

5 “(1) GENERAL RULES.—

6 “(A) IN GENERAL.—In any case in which
7 a court determines that the economic substance
8 doctrine is relevant for purposes of this title to
9 a transaction (or series of transactions), such
10 transaction (or series of transactions) shall have
11 economic substance only if the requirements of
12 this paragraph are met.

13 “(B) DEFINITION OF ECONOMIC SUB-
14 STANCE.—For purposes of subparagraph (A)—

15 “(i) IN GENERAL.—A transaction has
16 economic substance only if—

17 “(I) the transaction changes in a
18 meaningful way (apart from Federal
19 tax effects) the taxpayer’s economic
20 position, and

21 “(II) the taxpayer has a substan-
22 tial nontax purpose for entering into
23 such transaction and the transaction
24 is a reasonable means of accom-
25 plishing such purpose.

1 In applying subclause (II), a purpose of
2 achieving a financial accounting benefit
3 shall not be taken into account in deter-
4 mining whether a transaction has a sub-
5 stantial nontax purpose if the origin of
6 such financial accounting benefit is a re-
7 duction of income tax.

8 “(ii) SPECIAL RULE WHERE TAX-
9 PAYER RELIES ON PROFIT POTENTIAL.—A
10 transaction shall not be treated as having
11 economic substance by reason of having a
12 potential for profit unless—

13 “(I) the present value of the rea-
14 sonably expected pre-tax profit from
15 the transaction is substantial in rela-
16 tion to the present value of the ex-
17 pected net tax benefits that would be
18 allowed if the transaction were re-
19 spected, and

20 “(II) the reasonably expected
21 pre-tax profit from the transaction ex-
22 ceeds a risk-free rate of return.

23 “(C) TREATMENT OF FEES AND FOREIGN
24 TAXES.—Fees and other transaction expenses
25 and foreign taxes shall be taken into account as

1 expenses in determining pre-tax profit under
2 subparagraph (B)(ii).

3 “(2) SPECIAL RULES FOR TRANSACTIONS WITH
4 TAX-INDIFFERENT PARTIES.—

5 “(A) SPECIAL RULES FOR FINANCING
6 TRANSACTIONS.—The form of a transaction
7 which is in substance the borrowing of money
8 or the acquisition of financial capital directly or
9 indirectly from a tax-indifferent party shall not
10 be respected if the present value of the deduc-
11 tions to be claimed with respect to the trans-
12 action is substantially in excess of the present
13 value of the anticipated economic returns of the
14 person lending the money or providing the fi-
15 nancial capital. A public offering shall be treat-
16 ed as a borrowing, or an acquisition of financial
17 capital, from a tax-indifferent party if it is rea-
18 sonably expected that at least 50 percent of the
19 offering will be placed with tax-indifferent par-
20 ties.

21 “(B) ARTIFICIAL INCOME SHIFTING AND
22 BASIS ADJUSTMENTS.—The form of a trans-
23 action with a tax-indifferent party shall not be
24 respected if—

1 “(i) it results in an allocation of in-
2 come or gain to the tax-indifferent party in
3 excess of such party’s economic income or
4 gain, or

5 “(ii) it results in a basis adjustment
6 or shifting of basis on account of over-
7 stating the income or gain of the tax-indif-
8 ferent party.

9 “(3) DEFINITIONS AND SPECIAL RULES.—For
10 purposes of this subsection—

11 “(A) ECONOMIC SUBSTANCE DOCTRINE.—
12 The term ‘economic substance doctrine’ means
13 the common law doctrine under which tax bene-
14 fits under subtitle A with respect to a trans-
15 action are not allowable if the transaction does
16 not have economic substance or lacks a business
17 purpose.

18 “(B) TAX-INDIFFERENT PARTY.—The
19 term ‘tax-indifferent party’ means any person
20 or entity not subject to tax imposed by subtitle
21 A. A person shall be treated as a tax-indifferent
22 party with respect to a transaction if the items
23 taken into account with respect to the trans-
24 action have no substantial impact on such per-
25 son’s liability under subtitle A.

1 “(C) EXCEPTION FOR PERSONAL TRANS-
2 ACTIONS OF INDIVIDUALS.—In the case of an
3 individual, this subsection shall apply only to
4 transactions entered into in connection with a
5 trade or business or an activity engaged in for
6 the production of income.

7 “(D) TREATMENT OF LESSORS.—In apply-
8 ing paragraph (1)(B)(ii) to the lessor of tan-
9 gible property subject to a lease—

10 “(i) the expected net tax benefits with
11 respect to the leased property shall not in-
12 clude the benefits of—

13 “(I) depreciation,

14 “(II) any tax credit, or

15 “(III) any other deduction as
16 provided in guidance by the Secretary,
17 and

18 “(ii) subclause (II) of paragraph
19 (1)(B)(ii) shall be disregarded in deter-
20 mining whether any of such benefits are al-
21 lowable.

22 “(4) OTHER COMMON LAW DOCTRINES NOT AF-
23 FECTED.—Except as specifically provided in this
24 subsection, the provisions of this subsection shall not
25 be construed as altering or supplanting any other

1 rule of law, and the requirements of this subsection
2 shall be construed as being in addition to any such
3 other rule of law.

4 “(5) REGULATIONS.—The Secretary shall pre-
5 scribe such regulations as may be necessary or ap-
6 propriate to carry out the purposes of this sub-
7 section. Such regulations may include exemptions
8 from the application of this subsection.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to transactions entered into after
11 the date of the enactment of this Act.

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