The original documents are located in Box 29, folder "8/9/75 HR7710 Tariff Treatment of Certain Watches Child Support Amendments" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

APPROVED
AUG 9 - 1975

Statement - 8/11
Issued - Vail, Col.

ACTION

THE WHITE HOUSE

WASHINGTON

Last Day: August 14

August 9, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

To Archives 8/12

SUBJECT: H.R. 7710 - Tariff Treatment of Certain Watches; Child Support Amendments

This is to present for your action H.R. 7710.

Background

H.R. 7710 would:

(a) Increase from 50% to 70% the maximum value of foreign materials which may be contained in watches manufactured in the Virgin Islands, Guam and American Samoa.

-- This is intended to restore the ability of these manufacturers to compete against foreign manufacturers in the U.S. market. Their ability to compete had been particularly damaged by the effects of U.S. currency devaluations.

(b) Amend in several respects the child support program enacted in January 1974.

-- The amendments correct a number of minor technical problems which are generally unobjectionable.

-- The bill does contain, however, an unconstitutional section that requires the Secretary of HEW to submit certain regulations to Congress. These regulations would go into effect 60 days after submission unless disapproved by a resolution in either the House or the Senate.

-- The amendments do not address the objections you raised when signing the original legislation in January. At that time, you cited specific provisions regarding use of the Federal courts and the IRS tax collection procedures which raised serious privacy and administrative issues.

Arguments for Approval

1. The provisions regarding watch manufacturing raise no problems and could help ease unemployment in the Virgin Islands, Guam, and American Samoa.

2. The amendments to the child support program, while minor, do correct a number of inequities and will move toward keeping the child's best interests as the central point of concern in the child support program.

3. The child support amendments will enable a number of states to proceed with child support programs while awaiting the enactment of the necessary state statutes.

4. Provisions requiring submission of regulations to Congress have been signed into law before, most recently in the Amtrak Improvement Act of 1975.

Arguments for Disapproval

1. The child support amendments do not address the objections you raised and by correcting these minor points take away some of the support needed for further amendments.

2. Provisions requiring submission of regulations to Congress are unconstitutional.

Agency Recommendations

Office of Management and Budget	Approval
Department of Health, Education, and Welfare	Approval
Domestic Council Committee on the Right of Privacy	No objection

Council on International Economic Policy	No objection
Department of Commerce	Approval of tariff provisions; no recommendation on child support provisions
Department of the Interior	Approval of tariff provisions; defers to HEW on child support provisions
Office of the Special Representative for Trade Negotiations	No objection to tariff provisions; defers to other agencies on child support provisions
Department of the Treasury	No objection to tariff provisions; defers to HEW on child support provisions
Department of Labor	No objection to tariff provisions; defers to HEW on child support provisions
Department of Justice	Defers to Treasury and HEW
Department of State	Defers to other agencies
<u>Staff Recommendations</u>	
National Security Council	No objection
Max Friedersdorf	Sign
Bill Seidman	Sign
Phil Buchen	Recommend approval

Recommendation

I recommend approval of H. R. 7710. Increased employment in U. S. insular possessions may result from the watch manufacturing provisions and there are no agency objections to the change made in the duty requirements. The child support amendments, while not addressing the objections you have raised, are needed. The unconstitutional requirement has been accepted before and can be identified as objectionable in the signing statement.

Decision

1. 12/27 Approve H.R. 7710 and attached signing statement. (Tabs A and B)

2. _____ Disapprove.

STATEMENT BY THE PRESIDENT

I have approved H.R. 7710, a bill which would make a desirable change in the tariff schedules affecting watches and watch movements manufactured in U.S. insular possessions. It would also amend the new child support program which became law last January as part of the Social Security Act.

The child support amendments which were added to this bill shortly before the Congress recessed will provide some States needed time to change their laws to comply with the new program, which became effective on August 1, 1975. They will also help in the orderly implementation of this program and will strengthen the confidentiality of records in the program of Aid to Families with Dependent Children by specifying the purposes for disclosure of such records.

One of these amendments requires the Secretary of Health, Education and Welfare to develop standards to assure that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts. Regrettably, this amendment requires the Secretary to submit the proposed standards to the Congress with the provision that they may be disapproved by either House within 60 days.

As I indicated when I signed into law the Amtrak Improvement Act of 1975 on May 26, I am seriously concerned about the increasing frequency of passage by Congress of legislation containing such provisions, which are an unconstitutional exercise of congressional power. At the same time, I believe it is entirely proper for the Congress to request information and to be consulted on the operation of Government programs.

I am therefore instructing the Secretary of Health, Education and Welfare to treat this provision of H.R. 7710 simply as a request for information about the proposed standards in advance of their promulgation. Accordingly, I have asked the Secretary to report to the Congress at least 60 days in advance of the date he intends to issue such standards to

protect individuals' interests in child support collection efforts.

When I approved the legislation establishing the new child support program last January, I expressed my strong backing of its objectives. I reaffirm that support now. However, at that time I also stated that some of the program's provisions inject the Federal Government too deeply into domestic relations and that others raise serious privacy and administrative issues. I pointed specifically to the provisions for use of the Federal courts and the tax collection procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education and Welfare, and the provisions establishing a parent locator service with access to all Federal records.

Legislation which would have corrected these problems was recently passed by the House of Representatives, but these corrective amendments were not included in the bill I have just signed. I urge the Congress to enact such legislation as soon as possible after the current recess, so the desirable objectives of the child support program are not undermined by undue intrusion of the Federal Government into people's personal lives.

Gerald R. Ford

APPROVED
AUG 9 - 1975

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 8 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 7710 - Tariff treatment of certain watches; child support amendments
Sponsor - Rep. de Lugo (D) Delegate from the Virgin Islands

Last Day for Action

August 14, 1975 - Thursday

Purpose

Increases from 50% to 70% the maximum value of foreign materials which may be contained in watches and watch movements manufactured in U.S. insular possessions entitled to duty-free entry into the U.S.; makes certain revisions in the recently-enacted child support program under Title IV of the Social Security Act.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Health, Education, and Welfare	Approval (Signing statement attached)
Domestic Council Committee on the Right of Privacy	No objection (Signing statement attached)
Council on International Economic Policy	No objection
Department of Commerce	Approval of tariff provisions; no recommendation on child support provisions
Department of the Interior	Approval of tariff provisions; defers to HEW on child support provisions

Office of the Special Representative for Trade Negotiations	No objection to tariff provisions; defers to other agencies on child support provisions
Department of the Treasury	No objection to tariff provisions; defers to HEW on child support provisions
Department of Labor	No objection to tariff provisions; defers to HEW on child support provisions
Department of Justice	Defers to Treasury and HEW
Department of State	Defers to other agencies

Discussion

Sections 1 and 2 of H.R. 7710 are designed to assist the watch industries in the Virgin Islands, Guam, and American Samoa by raising to 70% the permissible foreign material content of watches and watch movements produced in U.S. possessions and shipped to the U.S. duty free. None of the executive branch agencies which commented on these provisions raised objections.

Title II of the enrolled bill would amend in several respects the child support program approved on January 4, 1975 as part of the Social Services Amendments of 1974 (P.L. 93-647). This program was to have gone into effect on July 1, 1975, but the effective date was delayed until August 1, 1975 by P.L. 94-46, which you approved on June 30.

In your signing statement on P.L. 93-647, you objected to certain provisions of the child support program as injecting the Federal Government too far into domestic relations. You cited specifically provisions for use of Federal courts and tax collection procedures of the Internal Revenue Service, and excessive audit requirements. You also indicated that the establishment of a parent locator service in HEW raised serious privacy and administrative issues.

On July 21, 1975, the House passed H.R. 8598 (357-37), which would have corrected these and certain other problems in the child support law. In a letter to Senator Long on July 29, Secretary Weinberger indicated general support for H.R. 8598 with certain amendments; that letter is attached to HEW's views letter on the enrolled bill. On August 1,

Senator Long, with the agreement of Reps. Ullman and Corman, offered on the Senate floor a few of the provisions of H.R. 8598--modified, in some cases--as amendments to H.R. 7710. They were adopted in the House on the same day.

These amendments, which comprise Title II of the enrolled bill, do not address the concerns you expressed in your signing statement last January. They are generally unobjectionable as far as they go, however, but do include one feature viewed by Justice and HEW as an unconstitutional exercise of congressional authority. The Title II provisions of H.R. 7710 are explained further below.

Tariff treatment of certain watches and watch movements

Under existing provisions of the Tariff Schedules of the United States, an article manufactured in an insular possession of the United States may be imported into the United States free of any duty if the value of foreign materials it contains does not exceed 50% of the article's total value. Moreover, other law imposes an overall quota for duty-free entry into the United States of watches and watch movements assembled in the three insular possessions equal to one-ninth of total apparent U.S. watch consumption during the preceding calendar year.

Until recently, watch industries had prospered in the Virgin Islands, Guam, and American Samoa, as the laws cited above had enabled them to compete with foreign watch manufacturers and provide significant employment and revenue for their local economies. However, since 1973, watch production and related employment in the three possessions have decreased markedly. The increased cost of foreign parts used in assembling watches, much of which is attributable to U.S. currency devaluations, has eliminated the competitive advantage that the watches and watch movements manufactured in the possessions enjoyed over those imported directly from abroad.

The provision in H.R. 7710 to increase from 50% to 70% of total value the permissible foreign material content of watches and watch movements eligible for duty-free treatment is intended to restore to the insular possessions their ability to compete against foreign manufacturers in the U.S. watch and watch movement market.

Child Support Amendments

Title II of the enrolled bill would amend the "child support and establishment of paternity program" enacted as part D of title IV of the Social Security Act in a number of respects described in detail in HEW's views letter. The following summarizes the major substantive amendments and positions previously taken by the Administration.

Temporary waivers for certain States--Under the child support program, in order for a State to participate in the program of aid to families with dependent children (AFDC), it must (1) have an approved child support program under title IV D and (2) require all AFDC applicants and recipients to assign all their child support rights to the State for collection. The Federal Government reimburses the States for 75% of the cost of carrying out programs approved under title IV D.

Some States have been unable thus far to enact the necessary statutes to bring them into compliance with the child support requirements and, accordingly, would lose their Federal AFDC funds. The enrolled bill would permit the Secretary to grant waivers up through June 30, 1976 to States which certify, with explanations, that they lack authority to comply under State law. States with waivers would receive 50% of their operating costs in Federal matching funds under the child support program.

The Administration indicated support for a similar provision in H.R. 8598, the House-passed child support bill. However, it also supported the 1976 Budget recommendation that the Federal matching rate for child support be reduced to 50%--the same as the AFDC matching rate--and proposed a 33 1/3% matching rate for States unable to implement the new program immediately.

Protection of recipients' income--Certain States provide AFDC payments below their needs standard, but permit child support payments to fill that gap. In those States, the current child support law could have the unintended result of actually reducing a recipient family's income since it requires that all child support payments be collected by the State and distributed according to a specific formula which would not in all cases maintain the same total payment level to a family.

H.R. 7710 would amend the law so as to permit such States to continue to allow recipients to keep a portion of the child support payments they receive so that their income would not be reduced because of their assignment of child support rights to the State.

HEW, on June 26, submitted to the Congress a legislative proposal similar to this provision, which is consistent with the major objective of encouraging support payments. The Department has no objection to the version incorporated in the enrolled bill.

Safeguarding of information--Under present law, the State AFDC plan must permit the use or disclosure of information concerning applicants or recipients to "public officials who require such information in connection with their official duties" or "other persons for purposes directly connected with the administration" of AFDC.

H.R. 7710 would provide, instead, that States must restrict the use or disclosure of AFDC case records to purposes directly connected with (1) the administration of the Social Security Act's welfare programs, (2) investigation, prosecution, and criminal and civil proceedings conducted in connection with the administration of those programs, and (3) the administration of other federal and federally-assisted programs that provide assistance or services directly to individuals on the basis of need. The safeguards so provided must prohibit disclosure to legislative bodies of any information that identifies AFDC applicants or recipients by name or address.

HEW states that these restrictions are similar in many respects to those advocated by the Department in commenting on H.R. 8598, and are a substantial improvement over the current provisions of law. The Department therefore supports this provision of the enrolled bill. The Domestic Council Committee on the Right of Privacy feels that the bill falls short of resolving fully the problems of safeguarding of information, but that it does make improvements in present law.

Protection of child's best interest--The enrolled bill would amend the new child support program to provide that an AFDC applicant or recipient would not be required to cooperate in the collection of support payments, as present law requires, if the applicant or recipient is found to have good cause for refusing to do so as determined under standards prescribed by the Secretary, which must take into

consideration the best interests of the child on whose behalf the AFDC assistance is claimed. The Secretary would be required to submit his proposed standards to the Congress and they would go into effect 60 days after submission unless disapproved by a resolution adopted by either House.

HEW, in its letter to Senator Long on H.R. 8598--which did not include a one-House veto provision--indicated no objection to providing standards to be established by the Secretary for exemption of a parent from mandatory cooperation in pursuing child support collection in cases where this would be against the child's best interest. The Department is, however, opposed to granting either House of Congress the power to reject the standards developed by the Secretary on the grounds that this provision is an unconstitutional exercise of congressional power.

Justice states that this section "is not in conformity with the procedure for the enactment of legislation contemplated by Article I, Section 7, which clearly indicates that the veto power of the President is intended to apply to all actions of Congress which have the force of law."

Recommendations

With respect to the provisions of the enrolled bill concerning duty-free importation of watches and watch movements manufactured in U.S. insular possessions, the agencies concerned either recommend your approval or raise no objection.

With respect to the child support provisions:

HEW recommends approval of the bill with a signing statement noting your reservations with respect to the one-House veto provision and reaffirming your support for the changes you requested when P.L. 93-647 was signed into law.

Justice states:

> "Although the presence of a one-House veto provision in an enrolled bill is sufficient for this Department to recommend against Executive approval of the bill, we are reluctant to do so if the need for the legislation is so great that the bill should be approved and the constitutional defect merely mentioned in the signing statement. Because the question of the need for the legislation cannot be answered by this

Department, we must defer to the Department of Treasury regarding the amendment of the Tariff Schedules of the United States and to the Department of Health, Education, and Welfare concerning the Social Security Act Amendments on the question whether this bill should receive Executive approval."

The Domestic Council Committee on the Right of Privacy does not object to H.R. 7710, but asks that its position be read in light of the proposed signing statement attached to its views letter.

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The noncontroversial provisions of this enrolled bill affecting duty-free watches present no problems. The bill's child support provisions do not appear to have any significant budgetary impact. One of these provisions, moreover, is of some urgency--that which would allow States additional necessary time to comply with these new provisions without being cut off from AFDC payments.

On the negative side, as noted above, the bill has an unconstitutional feature similar to others the Congress has recently enacted. Moreover, it does not correct the problems you mentioned in approving the child support program last January. Although Senator Long has agreed to consider these problems further, his remarks on the Senate floor suggest that approval of H.R. 7710 would substantially reduce the impetus for any additional legislation in this area.

On balance, we recommend approval of the bill with a signing statement reiterating the objections you noted in your original signing statement on P.L. 93-647, urging additional legislation to remedy those objections, and expressing your concern about the one-House veto provision.

In the statement you issued on May 26, in approving the Amtrak Improvement Act of 1975, which also contained a one-House veto provision, you noted your serious concern about the increasing frequency with which the Congress passes legislation containing such provisions. You could simply repeat that concern in a signing statement on H.R. 7710. Alternatively, you may wish to indicate in this signing statement--as has been done occasionally in

prior Administrations in the case of one-Committee veto provisions--that you will instruct HEW to treat the provision as a request for advance reporting. Our attached signing statement takes this latter approach.

James M. Frey

Assistant Director for
Legislative Reference

Enclosures

RETURN TO RESEARCH STATEMENT BY THE PRESIDENT

I have ~~today~~ approved H.R. 7710, a bill which would make a desirable change in the tariff ~~laws~~ schedules affecting watches and watch movements manufactured in U.S. insular possessions. It ~~and~~ would also amend the new child support program which became law last January as part of the Social Security Act.

The child support amendments which were added to this bill shortly before the Congress recessed will provide some States needed time to change their laws to comply with the new program, which became effective on ~~the first day of this month~~ August 1, 1975. They will also help in the orderly implementation of this program and will strengthen the confidentiality of records in the program of Aid to Families with Dependent Children by specifying the purposes for disclosure of such records.

One of these amendments requires the Secretary of Health, Education and Welfare to develop standards to assure that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts. Regrettably, this amendment requires the Secretary to submit the proposed standards to the Congress with the provision that they may be disapproved by either House within 60 days.

As I indicated when I signed into law the Amtrak Improvement Act of 1975 on May 26, I am seriously concerned about the increasing frequency of passage by Congress of legislation containing such provisions, which are an unconstitutional exercise of congressional power. At the same time, I believe it is entirely proper for the Congress to request information and to be consulted on the operation of Government programs.

I am therefore instructing the Secretary of Health, Education and Welfare to treat this provision of H.R. 7710

simply as a request for information about the proposed

standards in advance of their promulgation. ~~and~~ Accordingly, I have asked The Secretary to report to the Congress at least 60 days ~~ahead of time the~~ in advance of the date he issue such standards ~~standards~~ he intends to ~~prescribe~~ to protect individuals' interests in child support collection efforts.

When I approved the legislation establishing the new child support program last January, I expressed my strong ~~support for~~ backing of its objectives. I reaffirm that support now. However, at that time I also stated that some of the program's provisions inject the Federal Government too deeply into domestic relations and that other ~~provisions~~ raise serious privacy and administrative issues. I pointed specifically to the provisions for use of the Federal courts and the tax collection procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education and Welfare, and the provisions establishing a parent locator service with access to all Federal records.

Legislation which would have corrected these problems was recently passed by the House of Representatives, but these corrective amendments were not included in the bill I have just signed. I urge the Congress to enact such legislation as soon as possible after the current recess, so ~~that~~ the desirable objectives of the child support program are not undermined by undue intrusion of the Federal Government into people's personal lives.

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STATEMENT BY THE PRESIDENT

I have approved H.R. 7710, a bill which would make a desirable change in the tariff schedules affecting watches and watch movements manufactured in U.S. insular possessions. It would also amend the new child support program which became law last January as part of the Social Security Act.

The child support amendments which were added to this bill shortly before the Congress recessed will provide some States needed time to change their laws to comply with the new program, which became effective on August 1, 1975. They will also help in the orderly implementation of this program and will strengthen the confidentiality of records in the program of Aid to Families with Dependent Children by specifying the purposes for disclosure of such records.

One of these amendments requires the Secretary of Health, Education and Welfare to develop standards to assure that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts. Regrettably, this amendment requires the Secretary to submit the proposed standards to the Congress with the provision that they may be disapproved by either House within 60 days.

As I indicated when I signed into law the Amtrak Improvement Act of 1975 on May 26, I am seriously concerned about the increasing frequency of passage by Congress of legislation containing such provisions, which are an unconstitutional exercise of congressional power. At the same time, I believe it is entirely proper for the Congress to request information and to be consulted on the operation of Government programs.

I am therefore instructing the Secretary of Health, Education and Welfare to treat this provision of H.R. 7710 simply as a request for information about the proposed standards in advance of their promulgation. Accordingly, I have asked the Secretary to report to the Congress at least 60 days in advance of the date he intends to issue such standards to

protect individuals' interests in child support collection efforts.

When I approved the legislation establishing the new child support program last January, I expressed my strong backing of its objectives. I reaffirm that support now. However, at that time I also stated that some of the program's provisions inject the Federal Government too deeply into domestic relations and that others raise serious privacy and administrative issues. I pointed specifically to the provisions for use of the Federal courts and the tax collection procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education and Welfare, and the provisions establishing a parent locator service with access to all Federal records.

Legislation which would have corrected these problems was recently passed by the House of Representatives, but these corrective amendments were not included in the bill I have just signed. I urge the Congress to enact such legislation as soon as possible after the current recess, so the desirable objectives of the child support program are not undermined by undue intrusion of the Federal Government into people's personal lives.

STATEMENT BY THE PRESIDENT

I have today approved H.R. 7710, a bill which would make a desirable change in the tariff laws affecting watches and watch movements manufactured in U.S. insular possessions and amend the new child support program which became law last January as part of the Social Security Act.

The child support amendments added to this bill shortly before the Congress recessed will provide some States needed time to change their laws to comply with the new program, which became effective on the first day of this month. They will also help in the orderly implementation of this program and will strengthen the confidentiality of records in the program of Aid to Families with Dependent Children by specifying the purposes for disclosure of such records.

One of these amendments requires the Secretary of Health, Education, and Welfare to develop standards to assure that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts. Regrettably, this amendment requires the Secretary to submit the proposed standards to the Congress with the provision that they may be disapproved by either House within 60 days.

As I indicated when I signed into law the Amtrak Improvement Act of 1975 on May 26, I am seriously concerned about the increasing frequency of passage by Congress of legislation containing such provisions, which are an unconstitutional exercise of congressional power. At the same time, I believe it is entirely proper for the Congress to request information and to be consulted on the operation of Government programs.

I am therefore instructing the Secretary of Health, Education, and Welfare to treat this provision of H.R. 7710 simply as a request for information about the proposed

standards in advance of their promulgation, and, accordingly, to report to the Congress at least 60 days ahead of time the standards he intends to prescribe to protect individuals' interests in child support collection efforts.

When I approved the legislation establishing the new child support program last January, I expressed my strong support for its objectives. I reaffirm that support. However, at that time I also stated that some of the program's provisions inject the Federal Government too deeply into domestic relations and that other provisions raise serious privacy and administrative issues. I pointed specifically to the provisions for use of the Federal courts and the tax collection procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education, and Welfare, and the provisions establishing a parent locator service with access to all Federal records.

Legislation which would have corrected these problems was recently passed by the House of Representatives, but these corrective amendments were not included in the bill I have just signed. I urge the Congress to enact such legislation as soon as possible after the current recess, so that the desirable objectives of the child support program are not undermined by undue intrusion of the Federal Government in people's personal lives.

DRAFT SIGNING STATEMENT

I have today signed H.R. 7710. Title II of the bill contains provisions which will for the most part, improve the new Federal-State cooperative program for the collection of child support and the establishment of paternity which went into effect on August 1, and facilitate its orderly implementation.

Unfortunately, one of these provisions requires that standards developed by the Secretary of Health, Education, and Welfare under that program for the purpose of assuring that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts must be submitted to the Congress for review and may be disapproved by either House. I am advised that this provision is an unconstitutional exercise of congressional power. I have nevertheless signed the bill because its provisions relating to the orderly implementation of the child support program are urgently needed at this time and cannot await further congressional action.

When I signed the legislation establishing this new program last January I expressed my strong support for its objectives. I reaffirm that support. However, at that time I also stated that some provisions of the program go too far by injecting the Federal Government into domestic relations and that other provisions raise serious privacy and administrative issues. I pointed specifically to the provisions for use of

the Federal courts and the tax collections procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education, and Welfare, and the provisions establishing a parent locator service with access to all Federal records. The bill which I have just signed affects none of these provisions and I again urge the Congress to enact legislation which corrects these defects in the child support program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

JUN 26 1975

Honorable Nelson A. Rockefeller
President of the Senate
Washington, D. C. 20510

Dear Mr. President:

Enclosed for the consideration of the Congress is a draft bill "To save the income of beneficiaries of programs assisted under part A of title IV of the Social Security Act from any reduction caused by the assignment of support rights to the State."

The enactment of the Social Services Amendments of 1974 will, beginning with July, 1975, alter the treatment of child support payments to recipients of aid to families of dependent children under title IV-A of the Social Security Act. The plan of the State approved under title IV-A must then provide that, as a condition of eligibility for aid, each recipient will be required, inter alia, to assign to the State any rights to child support from any other person that may have accrued in the recipient's behalf at the time of his application for assistance.

During the fifteen months beginning July 1, 1975, the State will be required by section 457(a) of the Act to pay to the recipient from child support amounts collected in exercise of these rights an amount equal to 40 percent of the first $50 collected. The State must then reimburse itself from these amounts for assistance payments to the family made during the fifteen-month period. Any portion of the child support amounts still remaining in the hands of the State is to be paid to the recipient up to the level of any outstanding court order in the recipient's behalf. The balance is then paid over to the recipient after the State deducts as much as is required to reimburse its assistance payments to the recipient prior to the fifteen-month period.

Beginning after September 30, 1976, the State is required to make a distribution of the child support payments that is similar to that just described, except that the 40 percent payment of the first $50 is dropped.

The purpose of the enclosed draft bill is to correct what we believe to be an unintended effect of these provisions. In a number of States that pay less than 100 percent of their needs standard, child support payments are permitted to fill the gap between that standard and the actual payment level. Thus, for example, if the needs standard for a State is $200, and its family maximum payment is $150, a child support payment of $25 will be retained by the family, thereby providing the family with a combined income of $175. Under the above-described provisions, the $25 will be assigned to the State, which will then pay to the family 40 percent of that $25, or $10, and retain the balance. The combined family income will thereby fall from $175 to $160, an amount that will then be $40, instead of $25, below need.

The approach of the draft bill is to hold harmless from this reduction those families that, because they are on the rolls in June, 1975, would be subjected to this kind of decrease in income because of their assignment to the State of their rights to child support payments. This savings provision is consistent with a major objective of the new law to encourage these support payments.

In this regard, the new law provides that the State shall not take into account, in computing the amount of its AFDC payment to a recipient, the previously-described 40 percent of the first $50 of child support payments collected by the State and paid to the recipient. In order to preserve this incentive to continuation of child support payments, the enclosed bill would require that, in the case of a family on the rolls in June, 1975, whose income (without counting the 40 percent payment) would be reduced by the new provisions, the State use the child support payment (1) first, to provide the 40 percent payment, (2) second, to compensate the family for the described income reduction (again, without considering the 40 percent payment), and (3) finally, to distribute the remainder of the support payment under section 457.

Because of the imminence of the effective date of the described provisions of the Social Services Amendments of 1974, we urge the prompt and speedy enactment of the enclosed draft bill.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this proposal to the Congress from the standpoint of the Administration's program.

Sincerely,

/s/ Caspar W. Weinberger

Secretary

Enclosure

A B I L L

To save the income of beneficiaries of programs assisted under part A of title IV of the Social Security Act from any reduction caused by the assignment of support rights to the State.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 101 of the Social Services Amendments of 1974, 88 Stat. 2351, is amended by (1) redesignating subsection (f) as subsection (g), and (2) inserting a new subsection (f) as follows:

"Savings Provision

"(f)(1) In the case of a family--

"(A) that for June, 1975, received an amount under a plan of the State approved under part A of title IV of the Social Security Act, and

"(B) that, without regard to amounts payable under paragraph (1) of section 457(a) of the Social Security Act, would (except for this subsection) suffer a reduction in income for any subsequent month on account of section 457 of the Act,

the State shall pay to that family, for that subsequent

month, so much of the amounts collected as child support by the State with respect to that family as are in excess of the amount payable to the family under paragraph (1) of section 457(a) of that Act, up to the amount of that reduction. Any portion of the amounts so collected by the State as are in excess of that reduction, and are not payable under paragraph (1) of section 457(a) of that Act or under this subsection, shall be distributed in accordance with the remaining paragraphs of section 457(a), or section 457(b), as may be applicable.

"(2) The State shall not, on account of any payment to a family required by this subsection, reduce the amount that would be payable to that family under the plan of the State approved under part A of title IV of the Social Security Act if this subsection were not in effect."

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

JUL 29 1975

Honorable Russell B. Long
Chairman, Committee on Finance
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

As you know, H.R. 8598, a bill "To amend title IV of the Social Security Act to make needed improvements in the recently enacted child support program," was passed by the House of Representatives on July 21 and is now pending before your Committee. In view of the shortness of time remaining before the August 1 deferred effective date for this program, I want to bring to your attention as quickly as possible our views on the House-passed bill.

1. We support section 1 of the bill, which would expand the "good faith effort" concept already embodied in the Social Security Act's title IV-D program as enacted in P.L. 93-647, and extend it to the new requirements that program imposes on the IV-A Aid to Families with Dependent Children program (AFDC). This would ensure that States which cannot fully implement all aspects of the new child support program because of conflicting State laws or constitutional provisions or administrative problems can receive full Federal reimbursement for both the AFDC program and those elements of the child support program which they can implement while they are in the process of coming into full compliance.

However, we remind you of the provisions of the President's Budget which would reduce the rate of Federal financial participation in State child support activities from the 75 percent rate authorized under P.L. 93-647 to 50 percent for States which have an approved title IV-D plan. We continue to support this proposal.

We further urge that the matching rate for child support activities be 33-1/3 percent for those States which are unable to immediately implement fully the new program but are making a "good faith effort" to do so.

2. We have no objection to section 2, which would protect recipients from loss of income following implementation of the title IV-D support program in those States which have set their welfare payment standards below their standards of need but permit recipients to use other income, including child support, to fill the gap between the two standards. At the same time we continue to support our proposal to limit this protection to families receiving child support which fills the gap between the two standards when the child support program goes into effect. A copy of that proposal is enclosed.

3. We support section 3, which would amend the provision of title IV-A which provides for very broad access to information concerning AFDC applicants and recipients to restrict use or disclosure of such information to purposes directly connected with the administration of the Social Security Act's welfare programs and other Federal or federally-assisted programs which provide assistance, in cash or in kind, or services, directly to individuals on the basis of need. However, we urge that the House-passed provision be amended to also provide for use by or disclosure of such information to law enforcement officials for purposes directly connected with the investigation or prosecution of a criminal offense pursuant to a written request which specifies the individual about whom, and the purposes for which, the information is being requested. We also urge that this provision be amended to limit use and disclosure for purposes connected with the administration of Federal and federally-assisted programs to cases involving fraud and other misfeasance under these programs.

We believe that with such amendments, this provision would strike a desirable balance between the need for various officials to have access to the information in State welfare records and the privacy interests of the individuals with respect to whom the records are maintained.

4. We have no objection to section 4, which would repeal provisions of title IV-D of the Social Security Act which authorize use of the Federal courts to enforce child

support orders in certain cases, as we believe repeal of these provisions reflects the President's concern that jurisdiction over child support cases would only add to the workload of the already overburdened federal courts, as he indicated in his statement upon signing P.L. 93-647. We also support, in the alternative, amending title IV-D to further tighten the restrictions on this use of the Federal courts.

5. We support section 5, which we believe reflects the President's concern with overly broad access to Federal records information. This section would repeal the provisions of title IV-D establishing a new Parent Locator Service within this Department with broad access to the records of other Federal agencies and substitute instead the provisions of the Social Security Act which were in effect prior to the enactment of P.L. 93-647. Under these preexisting provisions, only social security and Internal Revenue Service records would be open to State officials for the purpose of locating absent parents.

6. We support section 6, which also reflects the President's view, under which the provisions of P.L. 93-647 authorizing use of the tax collection procedures of the Internal Revenue Service to collect support obligations would be repealed.

7. We have no objection to section 7, which would permit a State to exempt a parent from mandatory cooperation in pursuing child support collection from an absent parent when the State determines that such an exemption would be "in the best interests of the child." We do not believe that inclusion of such language in the statute will encourage any State to seek mass exemptions of welfare applicants or recipients from the program so long as exemptions may be made only pursuant to guidelines established by the Secretary, as this provision states. The legislative history contained in House Report No. 94-368 accompanying H.R. 8598 and the floor debate on this question makes it clear that the Congress does not intend this language to be interpreted as a "loophole" permitting non-compliance with the entire child support program.

8. We support section 8, under which mandatory protective payments made pursuant to provisions of P.L. 93-647 would be exempted from the limitation on such payments in section 403(a) of the Social Security Act to 10 percent of the AFDC caseload in each State. This section simply corrects an apparently unintended anomoly created under P.L. 93-647.

9. We support section 9, under which another apparently unintended anomaly created under P.L. 93-647 would be corrected. Under this section, the Department would be granted authority to make quarterly advances of Federal reimbursement for estimated State child support program costs, with such advances subject to final adjustment at the end of the quarter. This authority now exists for all other federally-assisted, State-operated programs authorized under the Social Security Act.

10. We support section 10, which would repeal the provisions of P.L. 93-647 mandating that this Department make full annual audits of each State child support program. Section 10 would substitute the requirement that such audits be made "from time-to-time." However, we urge that this section be amended to make it clear that States must perform annual audits of their child support activities.

11. We have no objection to section 11, under which States would be reimbursed for start-up expenses incurred during July, 1975, in anticipation of implementation of the new support program. As you know, the States had only a few days' notice that this program would be delayed until August 1 under provisions of P.L. 94-46. However, once again, we urge that the Federal reimbursement matching rate for all child support activities be reduced to 50 percent, the matching rate for all administrative activities related to the AFDC program.

Finally, we suggest that the Committee further amend H.R. 8598 in two respects. First, we urge that the bill be amended to make permanent the incentive payment authorized under section 457 of title IV-D for those recipient families

fully cooperating with the child support program. We also urge that such payments be limited to the first two months of collections after the right to collect support payments is assigned to the State.

Second, we request that the bill amend section 454(6) of the new child support program to provide that a State must make its child support collection and establishment of paternity program available only to individuals, other than those that have assigned their support rights to the State, who are potential welfare recipients.

We urge the Committee's favorable consideration of H.R. 8598, with the amendments suggested in this letter.

We are advised by the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

/s/ Caspar W. Weinberger

Secretary

Enclosure

OFFICE OF THE SPECIAL REPRESENTATIVE
FOR TRADE NEGOTIATIONS

MEMORANDUM August 5, 1975

TO: James M. Frey
Assistant Director for
Legislative Reference
OMB

FROM: John D. Greenwald JDG (EMS)
Assistant General Counsel
STR

SUBJECT: H.R. 7710

Reference is made to your legislative referral of August 4, 1975 requesting the views of this Office on the enrolled bill, H.R. 7710, "To amend the TSUS to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70% of the total value of such watches and movements, to amend child support provisions of Title IV of the Social Security Act, and for other purposes."

We have no objections to the first half of the above-mentioned bill. The second half concerns matters in which agencies of the Government, other than this Office, have a paramount interest and, accordingly, we defer to the views of such agencies.

MEMORANDUM

COUNCIL ON INTERNATIONAL ECONOMIC POLICY

August 5, 1975

FOR: James M. Frey
Assistant Director for
Legislative Reference
O M B

FROM: John Bennison JB
Professional Staff Member

SUBJECT: Enrolled Bills HR 7716 and HR 7710

This is in response to your Enrolled Bill request of August 4.

CIEP has no objections to HR 7716 and HR 7710.

DEPARTMENT OF STATE

Washington, D.C. 20520

AUG 5 - 1975

Honorable James T. Lynn
Director, Office of
Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

The Secretary has asked me to reply to your communication (Office of Management and Budget Memorandum, dated August 4, signed by Mr. Frey) requesting our views on H.R. 7710, an enrolled bill dealing with the statutory standard for determining the dutiability of watches entering the United States from its insular possessions and waivers of certain requirements of the Social Security Act.

We consider that the various provisions of the enrolled bill are of primary interest to other agencies of the executive branch and accordingly defer to their views.

Sincerely,

Robert J. McCloskey
Assistant Secretary for
Congressional Relations

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

AUG 6 - 1975

Dear Mr. Lynn:

This responds to your request for the views of this Department on the enrolled bill H.R. 7710, "To amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes."

With respect to that portion of the bill relating to duty-free treatment to watches and watch movements, we strongly recommend approval by the President. With respect to title II of the bill which deals with amendments relating to the Social Security Act, we defer to the views of the Department of Health, Education and Welfare.

The first section of H.R. 7710 would amend the Tariff Schedules of the United States with respect to the duty-free treatment of watches and watch movements manufactured in any insular possession of the United States by increasing to 70 percent the value of foreign materials which such watches and watch movements may contain. Present TSUS provisions limit to 50 percent the value of foreign materials contained in duty-free articles shipped to the United States from its insular possessions.

The first section of H.R. 7710 would provide needed encouragement to the third largest industry in the Virgin Islands at a time when that territory is undergoing serious employment problems and a revenue shortfall. The watch industries in Guam and American Samoa, while much smaller than in the Virgin Islands, represent important contributions to those economies which are also threatened at the present time.

The practical effect of the first section of H.R. 7710 will be to allow manufacturers of watches in U.S. territories to sell their

products in the United States at lower prices and therefore to maintain production facilities which would otherwise have to be closed down. The primary beneficiaries will be the territorial economies and the U.S. consumer. We do not believe that any significant U.S. interest will be hurt by this change.

Sincerely yours,

Royston C. Hughes

Assistant Secretary of the Interior

Honorable James T. Lynn
Director, Office of
Management and Budget
Washington, D.C.

GENERAL COUNSEL OF THE
DEPARTMENT OF COMMERCE
Washington, D.C. 20230

AUG 6 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H.R. 7710, an enrolled enactment

> "To amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes."

The Department of Commerce recommends approval by the President of H.R. 7710 insofar as the provisions in sections 1 and 2, relating to the duty free treatment of certain watches and movements manufactured in any insular possession of the United States, are concerned.

Under current law, assemblers of watches in the insular possessions may ship their products to the United States duty free if not more than 50 percent of the landed value in the United States is represented by the cost of foreign materials (the component parts of watch movements). The bill would provide that such imports would be accorded duty free treatment if the foreign materials did not exceed 70 percent of the landed value. The need for this legislation is occasioned by the very significant increase in the cost of foreign watch movement components over the past two years caused solely by the devaluation of the dollar in relation to foreign currencies.

Enactment of this legislation will permit the assemblers of watches and watch movements in the insular possessions to pay the higher cost of the foreign materials incorporated in the watches and watch movements without having to arbitrarily increase the United States selling price to double the cost of the foreign materials. We regard the legislation as necessary if the assemblers in the insular possessions are to reestablish competitive prices with imports of watches assembled in foreign countries.

We have no recommendation to make concerning the other provisions of H.R. 7710 which relate to amendments to the Social Security Act.

Enactment of this legislation will not involve any increase in the budgetary requirements of this Department.

Sincerely,

Karl E. Bakke

General Counsel

DOMESTIC COUNCIL COMMITTEE ON THE RIGHT OF PRIVACY

WASHINGTON, D.C. 20504

August 7, 1975

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

Subject: H.R. 7710 -- Admendments Relating to Social Security Act

Dear Mr. Frey:

H.R. 7710 does make improvements in the 1974 Child Support Admendments (P.L. 93-647). Regretably it fails to address the privacy and administrative issues raised in the President's January 4, 1975 statement of P.L. 93-647 and also falls short of resolving fully the problems created by the safeguarding of information provisions in that law and P.L. 92-603, the 1972 Social Security Act Amendments.

Our lack of objection to H.R. 7710 should be read in light of the attached paragraphs which are submitted as part of a proposed statement for the President to issue upon signing the bill and which are incorporated herein by reference.

Sincerely,

QUINCY RODGERS
Executive Director

QR:mm

DRAFT 6/8/75

STATEMENT BY THE PRESIDENT

Title II of H.R. 7710 contains amendments to P.L. 93-647, the new Child Support Enforcement law that the 93rd Congress enacted just before it adjourned last December. Some of these amendments are necessary to prevent the child support law from further reducing the income of families with absent parents. Others will help to assure that the child support law is administered humanely, with the interest of the deserted or abandoned child clearly in mind.

Section 207 of Title II strengthens the confidentiality of AFDC case records by specifying the purposes for which information in them may be disclosed. These new "safeguarding of information" rules are also a positive step. Careful administration by HEW of these rules might well go far toward alleviating some of the confidentiality problems left unattended by the Congress.

On balance, I am disappointed with these amendments and would return them for more thorough consideration if I could do so without causing many families additional financial hardship.

As I pointed out last January, the provisions of P.L. 93-647 that call

> for use of the Federal courts, the tax collection procedures of the Internal Revenue Service, and excessive audit requirements are an undesirable and unnecessary intrusion of the Federal government into domestic relations. They are also an undesirable addition to the workload of the Federal courts, the IRS, and the Department of Health, Education, and Welfare Audit Agency. Further, the establishment of a parent locator service in the Department of Health, Education, and Welfare with access to all Federal records raises serious privacy and administrative issues.

These defects in the child support law should be corrected, and as soon as possible so that undue administrative burdens on Federal and State agencies can be avoided.

It should be clear by now that the objectives of the child support law are not at issue. I agree with those objectives and could support legislation to meet them so long as the legislation does not further entangle the Federal government in people's personal lives. I remain ready to work with the Congress on additional amendments to satisfy our mutually understood concerns and am hopeful that this matter can be resolved soon after the current recess.

ASSISTANT ATTORNEY GENERAL
LEGISLATIVE AFFAIRS

Department of Justice
Washington, D.C. 20530

AUG 7 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

In compliance with your request, I have examined a fascimile of the Enrolled Bill H.R. 7710, "To amend the Tariff Schedules of the United States and provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes."

The bill would amend general headnote 3(a) of the Tariff Schedules of the United States (TSUS) which currently provides that articles that contain foreign materials shipped to the United States from its insular possessions may enter free of duty if the value of the foreign materials they contain is not more than 50 percent of the total value. Under this bill, the permissible foreign material content of watches and watch movements entitled to duty free treatment would be raised to 70 percent of the total value.

The bill also contains amendments relating to part A of Title IV of the Social Security Act granting the Secretary certain authority as to grants to the states and other amendments pertaining to the Social Security Act. One of these amendments, subsection 208(d), which authorizes a one-House veto of certain standards prescribed by the Secretary of Health, Education and Welfare under section 402(a)(26)(B) of the Social Security Act as amended by subsection (a) of section 208, is not in conformity with the procedure for the enactment of legislation contemplated by Article I, Section 7, which clearly indicates that the veto power of the President is intended to apply to all actions of Congress which have the force of law.

Although the presence of a one-House veto provision in an enrolled bill is sufficient for this Department to recommend against Executive approval of the bill, we are reluctant to do so if the need for the legislation is so great that the bill should be approved and the constitutional defect merely mentioned in the signing statement. Because the question of the need for the legislation cannot be answered by this Department, we must defer to the Department of Treasury regarding the amendment to the Tariff Schedules of the United States and to the Department of Health, Education and Welfare concerning the Social Security Act Amendments on the question whether this bill should receive Executive approval.

Sincerely,

Michael M. Uhlmann

Michael M. Uhlmann

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

AUG 7 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Executive Office of the President
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to the request of your office for our views on the enrolled enactment of H.R. 7710, "To amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes."

This Department would have no objection to the President's approval of this measure insofar as it pertains to duty free treatment of watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value.

The Department defers to the Department of Health, Education and Welfare regarding the provisions of Title II, "Amendments Relating to Social Security Act."

Sincerely,

John T. Dunlop

Secretary of Labor

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AUG 8 1975

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to Mr. Frey's request of August 4, 1975 for a report on H.R. 7710, an enrolled bill "To amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes."

Only title II of the bill is of concern to this Department. All of the provisions of that title would affect the child support and establishment of paternity program established as part D of title IV of the Social Security Act by Public Law 93-647. The program was originally scheduled to go into effect on July 1 of this year, but the effective date was delayed until August 1 by Public Law 94-46.

Section 201 of the bill would provide relief for States which are unable to meet the requirements imposed on them by the new child support program at this time. Under that program a State is required, as a condition of participating in the program of aid to families with dependent children (AFDC) under part A of title IV of the Social Security Act, to (1) have a child support program approved under part D of that title, and (2) require all applicants and recipients of AFDC to assign all support rights to the State for collection as part of the child support program. The Federal Government reimburses the States for 75 percent of the cost of carrying out programs approved under part D. Section 201 of the bill would provide that if the Governor of a State certifies that his State cannot meet either or both of these requirements

because of the lack of authority to do so under state law and explains the basis of the certification, the Secretary shall grant the State a waiver from either or both of those requirements, as the case may be, until the date requested by the State, but in any event not later than June 30, 1976. States which have been granted a waiver from the requirement that they have a child support program approved under part D would be reimbursed at the rate of 50 percent for the cost of carrying out a program that meets the requirements for approval except as provided by the waiver.

There are statutory and constitutional impediments to implementation of the child support program in some States and the Department supports this section of the bill. It would achieve some of the same objectives as section 1 of H.R. 8598, now pending before the Senate Finance Committee. The Department supported enactment of that section in a letter to Senator Russell Long, Chairman of the Finance Committee, dated July 29, 1975, a copy of which is enclosed.

Section 202 of the bill would add a new provision to the list of requirements for an approved State plan for the provision of AFDC. Under this new requirement, which is directly related to implementation of the new child support program, a State plan would have to provide that, in determining the amount of aid to which a family is entitled, any child support collected and retained by the State pursuant to its child support plan under part D of title IV which would not have caused a reduction in aid had the child support been paid directly to the family will be added to the amount of aid otherwise payable to the family. This new requirement would affect only States which provide aid to families with dependent children at a rate which is less than their needs standard, but permit child support payments to fill the gap between that standard and the actual payment level, both in July 1975 and in the month in which the support is collected.

On June 26 the Department submitted to the Congress legislation which would have provided this same protection only for individuals actually receiving child support which filled the gap between the two standards in June 1975. However, we have no objection to this section of the bill, just as we did not object in our letter to Senator Long to the even broader scope of similar provisions of H.R. 8598.

Section 203 of the bill would provide relief for States which are able, under State law in effect on August 1, to meet the requirement that all support rights of applicants and recipients of AFDC be assigned to the State for collection but need time to obtain those assignments. Under section 203 the assignment would not have to be obtained with respect to individuals who are recipients of AFDC on August 1 until the earlier of the first redetermination of AFDC eligibility after August 1 or February 1, 1976. The Department supports this section of the bill as necessary to orderly implementation of the new child support program.

Section 204 of the bill would amend section 403(a) of the Social Security Act to exempt AFDC assistance required by the child support program to be in the form of protective payments from the 10 percent limitation imposed by that section on the amount of assistance provided in that form. In the Department's view mandated protective payments should not be subject to the limitation on the discretionary use of such payments by the States and we support this section of the bill just as we supported an identical provision of H.R. 8598 in the letter to Senator Long.

Section 205 would give the Department authority to make quarterly advances of federal reimbursement for estimated state expenditures under the child support program. This authority now exists for all other federally-assisted, state-operated programs established by the Social Security Act and the Department supports this section of the bill. The letter to Senator Long on H.R. 8598 supported an identical provision of that bill.

Section 206 would provide for reimbursement under the child support program for state expenditures incurred during July 1975 in anticipation of implementation of that program. The States had only a few days notice that the effective date of the child support program was being delayed from July 1 to August 1, and we do not object to this section of the bill just as we did not object in our letter to Senator Long to an identical provision of H.R. 8598.

Section 207 of the bill would amend part A of title IV of the Social Security Act to provide that the States participating in the AFDC program must restrict the use or disclosure of

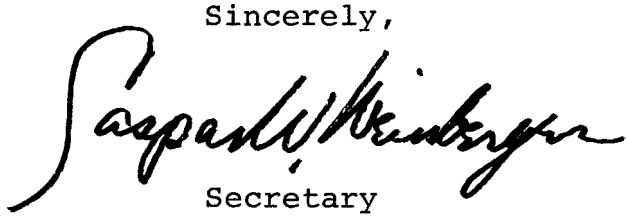
AFDC case records to purposes directly connected with (1) the administration of the Social Security Act's welfare programs, (2) investigation, prosecution, and criminal and civil proceedings conducted in connection with the administration of those programs, and (3) the administration of other federal and federally-assisted programs that provide assistance or services on the basis of need, and must prohibit disclosure to legislative bodies of any information that identifies AFDC applicants or recipients by name or address. These restrictions are not identical to those advocated by the Department in its letter to Senate Long on H.R. 8598. However, they are similar in many respects and are a substantial improvement over the current provisions of law which permit disclosure to any public officials who require such information in connection with their official duties. The Department therefore supports this provision of the bill.

Section 208 of the bill would amend the new child support program to provide that an AFDC applicant or recipient will not be required to cooperate in the collection support payments if the applicant or recipient is found to have good cause for refusing to do so as determined under standards prescribed by the Secretary, which standards must take into consideration the best interests of the child on whose behalf the AFDC assistance is claimed. The Secretary would be required to submit his proposed standards to the Congress and they would go into effect 60 days after submission unless disapproved by either House. The Department does not oppose amending the child support program to provide for standards established by the Secretary under which AFDC applicants and recipients are exempted from the cooperation requirement, as we indicated in our letter to Senator Long on H.R. 8598. We are opposed to granting either House of Congress the power to reject the standards developed by the Secretary on the ground that this provision is an unconstitutional exercise of congressional power, but in our view this objection is not sufficient to justify a veto of the bill.

Section 209 contains a technical amendment to section 402(a)(27) of the Social Security Act and has no substantive effect.

Therefore, the Department recommends that H.R. 7710 be signed into law, subject to consideration of the views of affected agencies with respect to the provisions of the bill other than title II. In our judgment the signing should be accompanied by the release of a statement noting the President's reservations with respect to the constitutionality of the provisions of section 208 granting either House of Congress the power to reject any standards developed by the Secretary under the amendments made by that section. We believe the statement should also reaffirm the President's support for the changes in the child support program which he requested when Public Law 93-647 was signed into law. A draft signing statement is enclosed.

Sincerely,



Secretary

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: August 8 Time: 700pm

FOR ACTION: Art Quern
Lynn May
Bill Seidman
Max Friedersdorf
NSC/S
Ken Lazarus
Paul Theis

cc (for information): Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 9 Time: 1100am

SUBJECT:

H.R. 7710 - Tariff treatment of certain watches; child support amendments

ACTION REQUESTED:

____ For Necessary Action
____ For Your Recommendations
____ Prepare Agenda and Brief
____ Draft Reply
____ For Your Comments
____ Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: August 8 Time: 700pm

FOR ACTION: Art Quern
Lynn May
Max Friedersdorf
Ken Lazarus
Paul Theis

cc (for information): Bill Seidman NSC/S
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 9 Time: 1100am

SUBJECT:

H.R. 7710 - Tariff treatment of certain watches; child support amendments

ACTION REQUESTED:

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____ For Your Recommendations
____ Prepare Agenda and Brief
____ Draft Reply
____ For Your Comments
____ Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

Approval JCS

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: August 8 Time: 700pm

FOR ACTION: Art Quern
Lynn May
Max Friedersdorf
Ken Lazarus
Paul Theis

cc (for information): Bill Seidman
NSC/S
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 9 Time: 1100am

SUBJECT:

H.R. 7710 -- Tariff treatment of certain watches; child support amendments

ACTION REQUESTED:

____ For Necessary Action
____ For Your Recommendations
____ Prepare Agenda and Brief
____ Draft Reply
____ For Your Comments
____ Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

Recommend approval and concur in OMB's recommendation regarding treatment of the legislative encroachment issue; i.e., the one-House veto provision.

P.W.B.

~~Ken Lazarus~~

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON

Date: August 8 Time: 700pm

FOR ACTION: Art Quern
Lynn May
Max Friedersdorf
Ken Lazarus
Paul Theis

cc (for information): Bill Seidman NSC/S
Jim Cavanaugh
Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date: August 9 Time: 1100am

SUBJECT:

H.R. 7710 - Tariff treatment of certain watches; child support amendments

ACTION REQUESTED:

____ For Necessary Action
____ Prepare Agenda and Brief
____ For Your Comments
____ For Your Recommendations
____ Draft Reply
____ Draft Remarks

REMARKS:

please return to Judy Johnston, Ground Floor West Wing

'75 AUG 8 PM 7

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James H. Cavanaugh
For the President

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

To J. Cavanaugh 8-8-75 6:30 p.m.
CC: Rod Hills
Mr. Buchen

AUG 8 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 7710 - Tariff treatment of certain watches; child support amendments
Sponsor - Rep. de Lugo (D) Delegate from the Virgin Islands

Last Day for Action

August 14, 1975 - Thursday

Purpose

Increases from 50% to 70% the maximum value of foreign materials which may be contained in watches and watch movements manufactured in U.S. insular possessions entitled to duty-free entry into the U.S.; makes certain revisions in the recently-enacted child support program under Title IV of the Social Security Act.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Health, Education, and Welfare	Approval (Signing statement attached)
Domestic Council Committee on the Right of Privacy	No objection (Signing statement attached)
Council on International Economic Policy	No objection
Department of Commerce	Approval of tariff provisions; no recommendation on child support provisions
Department of the Interior	Approval of tariff provisions; defers to HEW on child support provisions

Office of the Special Representative for Trade Negotiations	No objection to tariff provisions; defers to other agencies on child support provisions
Department of the Treasury	No objection to tariff provisions; defers to HEW on child support provisions
Department of Labor	No objection to tariff provisions; defers to HEW on child support provisions
Department of Justice	Defers to Treasury and HEW
Department of State	Defers to other agencies

Discussion

Sections 1 and 2 of H.R. 7710 are designed to assist the watch industries in the Virgin Islands, Guam, and American Samoa by raising to 70% the permissible foreign material content of watches and watch movements produced in U.S. possessions and shipped to the U.S. duty free. None of the executive branch agencies which commented on these provisions raised objections.

Title II of the enrolled bill would amend in several respects the child support program approved on January 4, 1975 as part of the Social Services Amendments of 1974 (P.L. 93-647). This program was to have gone into effect on July 1, 1975, but the effective date was delayed until August 1, 1975 by P.L. 94-46, which you approved on June 30.

In your signing statement on P.L. 93-647, you objected to certain provisions of the child support program as injecting the Federal Government too far into domestic relations. You cited specifically provisions for use of Federal courts and tax collection procedures of the Internal Revenue Service, and excessive audit requirements. You also indicated that the establishment of a parent locator service in HEW raised serious privacy and administrative issues.

On July 21, 1975, the House passed H.R. 8598 (357-37), which would have corrected these and certain other problems in the child support law. In a letter to Senator Long on July 29, Secretary Weinberger indicated general support for H.R. 8598 with certain amendments; that letter is attached to HEW's views letter on the enrolled bill. On August 1,

Senator Long, with the agreement of Reps. Ullman and Corman, offered on the Senate floor a few of the provisions of H.R. 8598--modified, in some cases--as amendments to H.R. 7710. They were adopted in the House on the same day.

These amendments, which comprise Title II of the enrolled bill, do not address the concerns you expressed in your signing statement last January. They are generally unobjectionable as far as they go, however, but do include one feature viewed by Justice and HEW as an unconstitutional exercise of congressional authority. The Title II provisions of H.R. 7710 are explained further below.

Tariff treatment of certain watches and watch movements

Under existing provisions of the Tariff Schedules of the United States, an article manufactured in an insular possession of the United States may be imported into the United States free of any duty if the value of foreign materials it contains does not exceed 50% of the article's total value. Moreover, other law imposes an overall quota for duty-free entry into the United States of watches and watch movements assembled in the three insular possessions equal to one-ninth of total apparent U.S. watch consumption during the preceding calendar year.

Until recently, watch industries had prospered in the Virgin Islands, Guam, and American Samoa, as the laws cited above had enabled them to compete with foreign watch manufacturers and provide significant employment and revenue for their local economies. However, since 1973, watch production and related employment in the three possessions have decreased markedly. The increased cost of foreign parts used in assembling watches, much of which is attributable to U.S. currency devaluations, has eliminated the competitive advantage that the watches and watch movements manufactured in the possessions enjoyed over those imported directly from abroad.

The provision in H.R. 7710 to increase from 50% to 70% of total value the permissible foreign material content of watches and watch movements eligible for duty-free treatment is intended to restore to the insular possessions their ability to compete against foreign manufacturers in the U.S. watch and watch movement market.

Child Support Amendments

Title II of the enrolled bill would amend the "child support and establishment of paternity program" enacted as part D of title IV of the Social Security Act in a number of respects described in detail in HEW's views letter. The following summarizes the major substantive amendments and positions previously taken by the Administration.

Temporary waivers for certain States--Under the child support program, in order for a State to participate in the program of aid to families with dependent children (AFDC), it must (1) have an approved child support program under title IV D and (2) require all AFDC applicants and recipients to assign all their child support rights to the State for collection. The Federal Government reimburses the States for 75% of the cost of carrying out programs approved under title IV D.

Some States have been unable thus far to enact the necessary statutes to bring them into compliance with the child support requirements and, accordingly, would lose their Federal AFDC funds. The enrolled bill would permit the Secretary to grant waivers up through June 30, 1976 to States which certify, with explanations, that they lack authority to comply under State law. States with waivers would receive 50% of their operating costs in Federal matching funds under the child support program.

The Administration indicated support for a similar provision in H.R. 8598, the House-passed child support bill. However, it also supported the 1976 Budget recommendation that the Federal matching rate for child support be reduced to 50%--the same as the AFDC matching rate--and proposed a 33 1/3% matching rate for States unable to implement the new program immediately.

Protection of recipients' income--Certain States provide AFDC payments below their needs standard, but permit child support payments to fill that gap. In those States, the current child support law could have the unintended result of actually reducing a recipient family's income since it requires that all child support payments be collected by the State and distributed according to a specific formula which would not in all cases maintain the same total payment level to a family.

H.R. 7710 would amend the law so as to permit such States to continue to allow recipients to keep a portion of the child support payments they receive so that their income would not be reduced because of their assignment of child support rights to the State.

HEW, on June 26, submitted to the Congress a legislative proposal similar to this provision, which is consistent with the major objective of encouraging support payments. The Department has no objection to the version incorporated in the enrolled bill.

Safeguarding of information--Under present law, the State AFDC plan must permit the use or disclosure of information concerning applicants or recipients to "public officials who require such information in connection with their official duties" or "other persons for purposes directly connected with the administration" of AFDC.

H.R. 7710 would provide, instead, that States must restrict the use or disclosure of AFDC case records to purposes directly connected with (1) the administration of the Social Security Act's welfare programs, (2) investigation, prosecution, and criminal and civil proceedings conducted in connection with the administration of those programs, and (3) the administration of other federal and federally-assisted programs that provide assistance or services directly to individuals on the basis of need. The safeguards so provided must prohibit disclosure to legislative bodies of any information that identifies AFDC applicants or recipients by name or address.

HEW states that these restrictions are similar in many respects to those advocated by the Department in commenting on H.R. 8598, and are a substantial improvement over the current provisions of law. The Department therefore supports this provision of the enrolled bill. The Domestic Council Committee on the Right of Privacy feels that the bill falls short of resolving fully the problems of safeguarding of information, but that it does make improvements in present law.

Protection of child's best interest--The enrolled bill would amend the new child support program to provide that an AFDC applicant or recipient would not be required to cooperate in the collection of support payments, as present law requires, if the applicant or recipient is found to have good cause for refusing to do so as determined under standards prescribed by the Secretary, which must take into

consideration the best interests of the child on whose behalf the AFDC assistance is claimed. The Secretary would be required to submit his proposed standards to the Congress and they would go into effect 60 days after submission unless disapproved by a resolution adopted by either House.

HEW, in its letter to Senator Long on H.R. 8598--which did not include a one-House veto provision--indicated no objection to providing standards to be established by the Secretary for exemption of a parent from mandatory cooperation in pursuing child support collection in cases where this would be against the child's best interest. The Department is, however, opposed to granting either House of Congress the power to reject the standards developed by the Secretary on the grounds that this provision is an unconstitutional exercise of congressional power.

Justice states that this section "is not in conformity with the procedure for the enactment of legislation contemplated by Article I, Section 7, which clearly indicates that the veto power of the President is intended to apply to all actions of Congress which have the force of law."

Recommendations

With respect to the provisions of the enrolled bill concerning duty-free importation of watches and watch movements manufactured in U.S. insular possessions, the agencies concerned either recommend your approval or raise no objection.

With respect to the child support provisions:

HEW recommends approval of the bill with a signing statement noting your reservations with respect to the one-House veto provision and reaffirming your support for the changes you requested when P.L. 93-647 was signed into law.

Justice states:

> "Although the presence of a one-House veto provision in an enrolled bill is sufficient for this Department to recommend against Executive approval of the bill, we are reluctant to do so if the need for the legislation is so great that the bill should be approved and the constitutional defect merely mentioned in the signing statement. Because the question of the need for the legislation cannot be answered by this

Department, we must defer to the Department of Treasury regarding the amendment of the Tariff Schedules of the United States and to the Department of Health, Education, and Welfare concerning the Social Security Act Amendments on the question whether this bill should receive Executive approval."

The Domestic Council Committee on the Right of Privacy does not object to H.R. 7710, but asks that its position be read in light of the proposed signing statement attached to its views letter.

* * * * * * * *

The noncontroversial provisions of this enrolled bill affecting duty-free watches present no problems. The bill's child support provisions do not appear to have any significant budgetary impact. One of these provisions, moreover, is of some urgency--that which would allow States additional necessary time to comply with these new provisions without being cut off from AFDC payments.

On the negative side, as noted above, the bill has an unconstitutional feature similar to others the Congress has recently enacted. Moreover, it does not correct the problems you mentioned in approving the child support program last January. Although Senator Long has agreed to consider these problems further, his remarks on the Senate floor suggest that approval of H.R. 7710 would substantially reduce the impetus for any additional legislation in this area.

On balance, we recommend approval of the bill with a signing statement reiterating the objections you noted in your original signing statement on P.L. 93-647, urging additional legislation to remedy those objections, and expressing your concern about the one-House veto provision.

In the statement you issued on May 26, in approving the Amtrak Improvement Act of 1975, which also contained a one-House veto provision, you noted your serious concern about the increasing frequency with which the Congress passes legislation containing such provisions. You could simply repeat that concern in a signing statement on H.R. 7710. Alternatively, you may wish to indicate in this signing statement--as has been done occasionally in

prior Administrations in the case of one-Committee veto provisions--that you will instruct HEW to treat the provision as a request for advance reporting. Our attached signing statement takes this latter approach.

James M. Frey

Assistant Director for
Legislative Reference

Enclosures

STATEMENT BY THE PRESIDENT

I have today approved H.R. 7710, a bill which would make a desirable change in the tariff laws affecting watches and watch movements manufactured in U.S. insular possessions and amend the new child support program which became law last January as part of the Social Security Act.

The child support amendments added to this bill shortly before the Congress recessed will provide some States needed time to change their laws to comply with the new program, which became effective on the first day of this month. They will also help in the orderly implementation of this program and will strengthen the confidentiality of records in the program of Aid to Families with Dependent Children by specifying the purposes for disclosure of such records.

One of these amendments requires the Secretary of Health, Education, and Welfare to develop standards to assure that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts. Regrettably, this amendment requires the Secretary to submit the proposed standards to the Congress with the provision that they may be disapproved by either House within 60 days.

As I indicated when I signed into law the Amtrak Improvement Act of 1975 on May 26, I am seriously concerned about the increasing frequency of passage by Congress of legislation containing such provisions, which are an unconstitutional exercise of congressional power. At the same time, I believe it is entirely proper for the Congress to request information and to be consulted on the operation of Government programs.

I am therefore instructing the Secretary of Health, Education, and Welfare to treat this provision of H.R. 7710 simply as a request for information about the proposed

standards in advance of their promulgation, and, accordingly, to report to the Congress at least 60 days ahead of time the standards he intends to prescribe to protect individuals' interests in child support collection efforts.

When I approved the legislation establishing the new child support program last January, I expressed my strong support for its objectives. I reaffirm that support. However, at that time I also stated that some of the program's provisions inject the Federal Government too deeply into domestic relations and that other provisions raise serious privacy and administrative issues. I pointed specifically to the provisions for use of the Federal courts and the tax collection procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education, and Welfare, and the provisions establishing a parent locator service with access to all Federal records.

Legislation which would have corrected these problems was recently passed by the House of Representatives, but these corrective amendments were not included in the bill I have just signed. I urge the Congress to enact such legislation as soon as possible after the current recess, so that the desirable objectives of the child support program are not undermined by undue intrusion of the Federal Government in people's personal lives.

THE GENERAL COUNSEL OF THE TREASURY

WASHINGTON, D.C. 20220

AUG 8 1975

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 7710, "To amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes."

The first title of the enrolled bill would amend general headnote 3(a)(i) of the Tariff Schedules of the United States to increase from 50 to 70 percent of total value the maximum percentage of foreign materials which watches and watch movements manufactured in United States insular possessions outside of the customs territory of the United States may contain to qualify for duty-free treatment. No change would be made in the quota system, in existence since 1966, which has established limits on imports of duty-free watches from such insular possessions based upon prior United States consumption levels.

We understand that the change in the headnote is proposed because foreign currency fluctuations vis-a-vis the U.S. dollar have increased the landed cost of the foreign components to a point where the 50 percent test cannot always be met, and the watch assembly trade in the insular possessions is in immediate danger of being permanently shut down.

This Department recognizes that increasing the foreign components percentage for watches and watch movements may create pressure for a similar reduction in the case of other products. However, it should be noted that the situation in the watch market is somewhat unique for three reasons. First, there is a quota program to regulate imports from such insular

possessions. Second, the normal duty on watches includes a specific duty as well as an ad valorem rate and the normal duty on watch movements consists of a specific duty alone or in combination with an ad valorem rate. Consequently, as the value of dutiable watches and watch movements increases, the duty protection decreases on a percentage basis. Last, adverse economic repercussions would result from a delay in relief. In this regard, the watch industry is now the third largest industry in the Virgin Islands, employing more than one thousand native workers.

Although this Department would have preferred the first title of the enrolled enactment to provide for only a temporary modification of the qualifying foreign content percentage, we have no objection to the provision in its present form.

Title II of the enrolled enactment would, inter alia, amend the child support provisions of title IV of the Social Security Act, and particularly those added by the Social Services Amendments of 1974. These provisions are primarily the concern of the Department of Health, Education and Welfare (HEW) and the Treasury Department defers to the judgment of HEW regarding the advisability of the amendments which would be made by title II of the enrolled bill.

In view of the above, the Department would have no objection to a recommendation that the enrolled enactment of H.R. 7710 be approved by the President.

Sincerely yours,

Richard R. Albrecht

General Counsel

Richard R. Albrecht

MEMORANDUM 5461

NATIONAL SECURITY COUNCIL

August 9, 1975

MEMORANDUM FOR: JAMES CAVANAUGH

FROM: Jeanne W. Davis

SUBJECT: H. R. 7710 - Tariff Treatment of Certain Watches; Child Support Amendments

The NSC Staff concurs in the proposed Enrolled Bill H. R. 7710 - Tariff treatment of certain watches; child support amendments.

94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94-298

TARIFF TREATMENT OF WATCHES AND WATCH MOVEMENTS MANUFACTURED IN INSULAR POSSESSIONS OF THE UNITED STATES

JUNE 16, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ULLMAN, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 7710]

The Committee on Ways and Means, to whom was referred the bill (H.R. 7710) to amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

DESCRIPTION OF PROVISIONS

The first section of the bill amends general headnote 3(a)(i) of the Tariff Schedules of the United States (TSUS) with respect to the duty-free treatment of watches and watch movements manufactured in any insular possession of the United States by increasing to 70 percent the value of foreign materials which such watches and watch movements may contain.

Section 2 of the bill applies the amended duty-free entry provision to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment.

GENERAL STATEMENT

The bill would amend general headnote 3(a) of the TSUS which currently provides that articles containing foreign materials shipped to the United States from its insular possessions may enter free of duty if the value of the foreign materials they contain is not more than 50 percent of their total value. Under this legislation, the permissible foreign material content of watches and watch movements entitled to duty-free treatment would be raised to 70 percent of the total value.

The current provision in the law was enacted in 1954 (Public Law 83–768) in order to stimulate the development of light industry in the Virgin Islands, Guam, and American Samoa. From a small beginning in 1959, the watch assembly industry in the possessions grew rapidly, particularly in the Virgin Islands, where it became the third largest industry in the territory. At its peak in 1973, the number of persons employed by the industry in all three territories was approximately 1,350, with a payroll of almost $4.5 million.

More recently, however, the watch industry in the possessions has suffered setbacks in both production and employment. In Guam, one firm has ceased operations altogether and two others are currently shut down. In the Virgin Islands, seven firms have shut down completely or temporarily suspended operations; from about 1,000 employees in 1974, the industry has declined to an estimated 430 employees in 1974.

Under the law, there must be a 100 percent addition in value in the possessions in order to qualify for the duty exemption. Because of United States currency devaluations, as well as increases in labor costs abroad, the higher dollar cost of the foreign parts used in assembling watch movements has reduced considerably the competitiveness of watches manufactured in the possessions with those imported directly from abroad.

United States mainland production of watch movements and watches has been increasing each of the last several years, from 21.5 million units in 1971 to 23.7 million units in 1974. Shipments from the possessions increased from 3.8 million units in 1971 to 5.2 million units in 1973, then declined to 4.3 million units in 1974. During the same period United States imports of foreign watch movements and watches increased from 22.2 million units in 1971 to 23.0 million units in 1974. The jewel movement parts assembled in the possessions must be obtained from foreign sources; United States parts manufacture is limited to pin lever movements.

Favorable reports on this legislation have been received from the Departments of Commerce, Interior, Labor, and Treasury. The Department of Labor stipulated, however, that its positon was not intended to be a precedent nor to indicate its views on the desirability of a like or similar rule with respect to other commodities and situations. The Departments of Agriculture and State deferred to other agencies.

Public hearings were held by the Subcommittee on Trade of the Committee on Ways and Means on April 23 and 24, 1975 on duty-free entry and temporary duty suspension bills. During these hearings favorable testimony and written comments were received on H.R. 5509, a bill similar to H.R. 7710. No objections to this legislation have been received by the committee from any source.

Your committee believes H.R. 7710 to be meritorious and unanimously urges its approval.

Effect of the Bill on the Revenues and Vote of the Committee in Reporting the Bill

In compliance with clause 7 of Rule XIII of the Rules of the House of Representatives, the following statement is made relative to the effect on the revenues of this bill. Your committee estimates that since

only duty-free watches and watch movements are currently being shipped from the possessions, enactment of this legislation would not result in any additional loss of revenue or administrative costs.

In compliance with clause 2(l)(2)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote by the committee on the motion to report the bill. This bill was unanimously ordered favorably by the committee.

Other Matters Required To Be Discussed Under House Rules

In compliance with clauses 2(l)(3) and 2(l)(4) of Rule XI of the Rules of the House of Representatives, the following statements are made.

With regard to subdivision (A) of clause 3 relating to oversight findings, your committee advises that in its review of the present economic situation with respect to watches and watch movements, it concluded it would be desirable to enact legislation changing the present law with respect to the duty-free treatment of watches and watch movements manufactured in the United States insular possessions, by reason of the considerations outlined above in the General Statement.

In compliance with subdivsion (B) of clause 3, your committee states that the changes made in present law by this bill involve no new budgetary authority or new or increased tax expenditures.

With respect to subdivisions (C) and (D) of clause 3, your committee advises that no estimate or comparison has been prepared by the Director of the Congressional Budget Office relative to H.R. 7710, nor have any oversight findings or recommendations been submitted to the committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

In compliance with clause (2)(l)(4) of Rule XI, your committee states that the change in the duty-free treatment rule on imports under this bill would not have an inflationary impact on prices and costs in the operation of the general economy.

Changes in Existing Law Made by the Bill, as Reported

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

TARIFF SCHEDULES OF THE UNITED STATES

General Headnotes and Rules of Interpretation

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3. *Rates of Duty.* The rates of duty in the "Rates of Duty" columns numbered 1 and 2 of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) *Products of Insular Possessions.*

(i) Except as provided in headnote 6 of schedule 7, part 2, subpart E, [and] except as provided in headnote 4 of schedule 7, part

7, subpart A, articles imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules, except that all such articles the or product of any such possession, or manufactured or produced in any such possession from materials the growth, product, or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 50 percent of their total value (*or more than 70 percent of their total value with respect to watches and watch movements*), coming to the customs territory of the United States directly from any such possession, and all articles previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund, or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.

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Calendar No. 266

94TH CONGRESS
1st Session

SENATE

REPORT
No. 94-273

TARIFF TREATMENT OF WATCHES AND WATCH MOVEMENTS MANUFACTURED IN INSULAR POSSESSIONS OF THE UNITED STATES

JULY 9 (legislative day, JULY 7), 1975.—Ordered to be printed

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

REPORT

[To accompany H.R. 7710]

The Committee on Finance, to which was referred the bill (H.R. 7710) to amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY

The first section of the House bill would amend general headnote 3(a)(i) of the Tariff Schedules of the United States (TSUS) with respect to the duty-free treatment of watches and watch movements manufactured in any insular possession of the United States by increasing to 70 percent the value of foreign materials which such watches and watch movements may contain.

Section 2 of the House bill would apply the amended duty-free entry provision to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment.

II. GENERAL STATEMENT

The bill would amend general headnote 3(a) of the TSUS which currently provides that articles containing foreign materials shipped to the United States from its insular possessions may enter free of duty if the value of the foreign materials they contain is not more than

50 percent of their total value. Under this legislation, the permissible foreign material content of watches and watch movements entitled to duty-free treatment would be raised to 70 percent of the total value.

The current provision in the law was enacted in 1954 (Public Law 83–768) in order to stimulate the development of light industry in the Virgin Islands, Guam, and American Samoa. From a small beginning in 1959, the watch assembly industry in the possessions grew rapidly, particularly in the Virgin Islands, where it became the third largest industry in the territory. At its peak in 1973, the number of persons employed by the industry in all three territories was approximately 1,350, with a payroll of almost $4.5 million.

More recently, however, the watch industry in the possessions has suffered setbacks in both production and employment. In Guam, one firm has ceased operations altogether and two others are currently shut down. In the Virgin Islands, seven firms have shut down completely or temporarily suspended operations; from about 1,000 employees in 1974, the industry has declined to an estimated 430 employees in 1975.

Under the law, there must be a 100 percent addition in value in the possessions in order to qualify for the duty exemption. Because of United States currency devaluations, as well as increases in labor costs abroad, the higher dollar cost of the foreign parts used in assembling watch movements has reduced considerably the competitiveness of watches manufactured in the possessions with those imported directly from abroad.

United States mainland production of watch movements and watches has been increasing each of the last several years, from 21.5 million units in 1971 to 23.7 million units in 1974. Shipments from the possessions increased from 3.8 million units in 1971 to 5.2 million units in 1973, then declined to 4.3 million units in 1974. During the same period United States imports of foreign watch movements and watches increased from 22.2 million units in 1971 to 23.0 million units in 1974. The jewel movement parts assembled in the possessions must be obtained from foreign sources; United States parts manufacture is limited to pin lever movements.

No unfavorable comment was received by the Committee from the general public on this bill. No objection to H.R. 7710 has been received from the executive departments or from any other source.

III. Costs of Carrying Out the Bill and Effect on the Revenues of the Bill

In compliance with section 252(a) of the Legislative Reorganization Act of 1970, the following statement is made relative to the costs to be incurred in carrying out this bill and the effect on the revenues of the bill. Since only duty-free watches and watch movements are currently being shipped from the possessions, enactment of this legislation would not result in any additional loss of revenue or administrative costs.

IV. Vote of Committee in Reporting the Bill

In compliance with section 133 of the Legislative Reorganization Act, as amended, the following statement is made relative to the vote

of the committee on reporting the bill. This bill was ordered favorably reported by the committee without a roll call vote and without objection.

V. Changes in Existing Law

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

TARIFF SCHEDULES OF THE UNITED STATES

General Headnotes and Rules of Interpretation

* * * * * * *

3. *Rates of Duty.* The rates of duty in the "Rates of Duty" columns numbered 1 and 2 of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) *Products of Insular Possessions.*

(i) Except as provided in headnote 6 of schedule 7, part 2, subpart E, [and] except as provided in headnote 4 of schedule 7, part 7, subpart A, articles imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules, except that all such articles the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product, or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 50 percent of their total value (*or more than 70 percent of their total value with respect to watches and watch movements*), coming to the customs territory of the United States directly from any such possession, and all articles previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of important which were shipped from the United States, without remission, refund, or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.

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94TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 94-368

CHILD SUPPORT PROGRAM IMPROVEMENTS

JULY 17, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ULLMAN, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H.R. 8598]

The Committee on Ways and Means, to whom was referred the bill (H.R. 8598) to amend title IV of the Social Security Act to make needed improvements in the recently enacted child support program, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, after line 17, insert the following new subsection:

(c) If a State does not meet the requirements of section 402(a)(26) of the Social Security Act but is treated under section 404(c) of that Act as not having failed to comply with those requirements, incentive payments shall be made under section 458 of that Act for all collections of support rights that would have been assigned to the State if the State met the requirements of such section 402(a)(26).

Page 7, after line 18, insert the following new section:

PROTECTION OF CHILD'S BEST INTEREST

SEC. 7. (a) Section 402(a)(26)(B) of the Social Security Act (as added by the Social Services Amendments of 1974) is amended by inserting immediately after "such applicant or such child" the following: ", unless (in either case) such applicant or recipient is found to have good cause for refusing to cooperate as determined by the State agency in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed;".

(b) Section 454(4)(A) of such Act (as so added) is amended by inserting after "such child," the following: "un-

less the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so,".

(c) Section 454(4)(B) of such Act (as so added and as amended by section 4(c) of this Act) is amended by inserting immediately after "other States" the following: ", unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so".

Page 7, after line 18, insert the following new sections:

EXCLUSION OF CERTAIN MANDATORY PROTECTIVE PAYMENTS FROM LIMITATION OF PERCENTAGE OF INDIVIDUALS WITH RESPECT WHOM SUCH PAYMENTS ARE MADE

SEC. 8. The last sentence of section 403(a) of the Social Security Act is amended by inserting "or section 402(a)(26)" immediately before the period at the end thereof.

AUTHORITY FOR QUARTERLY ADVANCES TO STATES FOR CHILD SUPPORT PROGRAMS

SEC. 9. (a) Section 455 of the Social Security Act (as added by the Social Services Amendments of 1974 and amended by section 1(b) of this Act) is amended by inserting "(a)" immediately after "Sec. 455." and by adding at the end thereof the following new subsection:

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

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

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

MODIFICATION OF AUDIT REQUIREMENTS

SEC. 10. (a) Section 452(4) of the Social Security Act (as added by the Social Services Amendments of 1974 and amended by the preceding provisions of this Act) is amended by striking out "not less often than annually" and inserting in lieu thereof "from time to time".

(b) Section 403(h) of such Act (as so added) is amended by striking out "as the result of the annual audit".

PAYMENTS TO STATES FOR CERTAIN EXPENSES INCURRED DURING JULY 1975

SEC. 11. Notwithstanding any other provision of law, amounts expended in good faith by any State (or by any of its political subdivisions) during July 1975 in employing and compensating staff personnel, leasing office space, purchasing equipment, or carrying out other organizational or administrative activities, in preparation for or implementation of the child support program under part D of title IV of the Social Security Act, shall be considered for purposes of section 455 of such Act (as amended by this Act), to the extent that payment for the activities involved would be made under such section (as so amended) if section 101 of the Social Services Amendments of 1974 had become effective on July 1, 1975, to have been expended by the State for the operation of the State plan or for the conduct of activities specified in such section (as so amended).

Page 7, line 20, strike out "Sec. 7." and insert in lieu thereof "Sec. 12.".

BACKGROUND AND PURPOSE OF THE BILL

On December 9, 1974 the House approved H.R. 17045, the Social Services Amendments of 1974. This bill established a new social services program as title XX of the Social Security Act. The bill was referred to the Senate Finance Committee which added child support legislation provisions to H.R. 17045. The final version was passed by Congress with most of the Senate child support amendments because the social services provisions were considered essential. The Social Services Amendments of 1974 were signed into law as Public Law 93-647 on January 4, 1975.

The effective date for implementation of the child support provisions of Public Law 93-647 was July 1, 1975. When it became obvious just prior to July 1 that there were certain technical problems in the bill which had to be resolved before it could work satisfactorily, the Senate added to H.R. 7709 on June 26, 1975 an amendment which delayed the effective date of the program to August 1, 1975. H.R. 7709, as amended, was adopted by the House and was signed by the President as Public Law 94-46 on June 30, 1975.

The committee has examined the child support programs of Public Law 93-647 and has found a number of serious defects. This legislation is needed prior to August 1, 1975 because of serious problems

regarding implementation of the program which would result if the law goes into effect on that date without these amendments.

Such problems include the inability of many States to make necessary changes in State welfare laws prior to that date to avoid being out of compliance with Federal law and therefore not entitled to Federal matching under their AFDC program. Other problems found by the committee require amendments to avoid reducing benefits to many AFDC recipients, after August 1, because of the new child support law.

Also, without amendments the new child support program would cause what the committee feels would be unwise intrusion by Federal courts and Federal agencies into heretofore State and local governments' responsibilities related to family law and child support. The committee also feels that these amendments are needed to correct provisions that would seriously jeopardize an individual's rights to privacy. Similar concerns were expressed by the President when he signed Public Law 93–647.

The President stated that:

> * * * certain provisions of this legislation go too far by injecting the Federal Government into domestic relations. Specifically, provisions for use of the Federal courts, the tax collection procedures of the Internal Revenue Service, and excessive audit requirements are an undesirable and unnecessary intrusion of the Federal Government into domestic relations. They are also an undesirable addition to the workload of the Federal courts, the IRS and the Department of Health, Education, and Welfare Audit Agency. Further, the establishment of a parent locator service in the Department of Health, Education, and Welfare with access to all Federal records raises serious privacy and administrative issues. I believe that these defects should be corrected in the next Congress, and I will propose legislation to do so.

General Discussion of the Provisions of the Bill

As indicated, your committee's bill consists of a number of provisions designed to correct defects or to otherwise improve the policy in legislation adopted of necessity with very limited debate at the end of the last Congress. Public Law 93–647 which was approved by the Congress December 20, 1974 and signed by the President on January 4, 1975 provides that most of its provisions should generally be effective on July 1, 1975. When it became obvious just prior to July 1 that there were certain technical problems in the bill which had to be resolved before it could work satisfactory, this date was extended to August 1, 1975 by Public Law 94–46. Your committee's bill represents its best judgment as to changes which should be made in existing law, at this time.

The Public Law 93–647 provided the framework within which States should develop a plan for child support. Since many of these provisions required State legislation, in at least some States, provision was made that the plan did not have to be completed prior to January 1, 1977 if the state was doing all that it could in good faith. The penalties, however, for not having an approved plan were related to Federal participation in money payments of aid to families with dependent children (title IV–A) and were incorporated in that part of title IV. These required an approved state plan by July 1, 1975 (amended to August 1). The direct conflict between these provisions of the law is obviously an unintended defect. Accordingly the good faith effort provision would be made applicable to part A of title IV as well as to part D of that title.

Since the enactment of the Social Security Act in 1935, States have had the responsibility for determining who is needy under the Aid to Dependent Children program. They have also determined the amounts of benefits which needy persons would receive. It is not surprising that in this 40-year history the States have developed widely diverging patterns of who is eligible for assistance and the amount to which he is entitled.

Under the provisions of Public Law 93–647 Federal matching is provided at the rate of 75 percent in expenditures of States for the operation of part D of title IV, the State's child support plan. Under the good faith provision described above, no provision is made for participation described above, no provision is made for participation in the cost of activities unless the State has a fully approved plan. The bill would provide for participation at the 75 percent rate in activities undertaken even though the State could not fully comply with the requirements for an approved plan if the State is found to be making a good faith effort to attain such compliance.

Your committee adopted an amendment to the bill which would assure that States which were ready to comply with the provisions of Public Law 93–647 on July 1, 1975 would receive 75 percent Federal participation in expenditures made during the month of July. This seemed only reasonable in view of the fact that they had only one day's notice of the 30-day deferral of the effective date of part D of title IV. Another technical amendment to the bill would assure that States would receive Federal participation in an aspect of title IV, part D—Incentive Payment to Localities—which had not been covered in the bill as introduced. This makes uniform the Federal participation in all aspects of child support programs.

It has been found that in an estimated 13 States a provision of Public Law 93–647 requiring the assignment of all court orders for child support (held by applicants for or recipients of aid to families with dependent children) to the State or local child support collection agencies would in some instances produce a quite different budgetary result for the family than the direct receipt of child support by the family from the absent parent. Some States have been unable to provide payments as large as the amounts that are recognized to be needed by families. This frequently results in a gap which the State permits to be filled by private income—in this instance, child support. The transfer of the support payments to a State or local agency obviously reduces the private income of a family and in those states would almost certainly result in the loss of some or all of the amount of child support to family. Your committee's bill accordingly provides that where the assignment of child support to the State results in reduction of the family's income that the State shall increase its assistance payment to the family to compensate this loss. Your com-

mittee does not believe that the Federal Government should interfere with State budgetary practices as long as they produce reasonable equity. The bill would accordingly permit States which in the future adopt a policy of this type to be treated in the same way as those which have such a policy already in existence.

Under Public Law 93–647 the Department of Health, Education, and Welfare is directed to obtain information from any Federal agency which would assist in the location of an absent parent. The Committee has received numerous complaints that these provisions are too broad and invade the privacy of information which Congress has sought to protect. Your committee's bill accordingly reenacts essentially the provisions of prior law. These provisions would require safeguards to restrict the use or disclosure of information concerning applicants for assistance to purposes directly connected with the administration of the aid to families with dependent children program, other need-related programs, including medicaid and social services, under the Social Security Act and other Federal or federally assisted programs which provide aid in cash or in-kind, or services, directly to individuals on the basis of need. Your committee believes that prior law has represented a reasonable compromise between an individual's right to privacy and the needs for information which exist in the administration of need-related programs. It has been pointed out by the Fiscal Affairs Subcommittee of the Joint Economic Committee that these programs are highly interrelated with the beneficiaries of one frequently participating in many others. It is accordingly reasonable to permit an exchange of information for the benefit of the administration of all of them.

Public Law 93–647 provides limited circumstances in which the Federal courts could be used to enforce delinquent court orders for child support. This could be done only in instances (primarily interstate situations) in which a State could not obtain compliance with an order through its own machinery or that of the State in which an absent parent might reside. When a State certified to the Secretary of Health, Education and Welfare that such a situation existed and the Secretary of HEW could find no feasible way to obtain payments under the order other than by the use of Federal courts, he is authorized to certify the case of a Federal court.

While it was not anticipated that with these limitations the machinery in Federal courts would be widely used, there is a potential caseload in the many families in which the parent is absent and court-ordered support is not forthcoming. This is one of the provisions of the law to which the President objected in the statement that he issued on signing the bill. This committee is impressed with the fact that the Federal court dockets are very full and that this type of jurisdiction, pertaining as it does to family law which has been traditionally the responsibility of State courts, is an inappropriate one to add. The bill would accordingly repeal the authorization for the use of Federal courts.

Finally, Public Law 93–647 authorized the certification of a delinquent court order by the Secretary of Health, Education and Welfare to the Internal Revenue Service for collection in the same manner that delinquent taxes are collected. While the delinquent individual is granted 60-days notice of the intent to enforce the collection of such a delinquency on the first occasion that the IRS is used under any single court order. Your committee is concerned that this may not constitute adequate notice to an absent parent of the efforts which will be made to obtain collection. This is one of the provisions of the law to which the President and the administration have objected. Your committee agrees that the function of the IRS is to collect taxes and not other types of obligations. The bill would accordingly repeal this authority in Public Law 93–647.

Provisions of prior law authorizing the limited use of the master files of the Internal Revenue Service to ascertain the address of an absent parent are reenacted.

Finally, the new law provides an active and rather extensive role for the Department of Health, Education and Welfare in the location of absent parents. It requires the establishment of a "parent locator service" which would be responsible for securing information from other agencies, for referrals to the IRS and the courts, for monitoring State operations and for other functions. The administration does not believe that such an active role in location of absent parents and the collection of child support is an appropriate one for a Federal agency to undertake. In view of other changes which have been made in the bill tending to place active responsibility almost wholly in the States, the committee has repealed the requirement for the "parent locator service."

Related to this provision is a technical amendment adopted by the committee which would no longer require annual audits but provide audits should be made from "time to time."

Members of your committee expressed concern about the requirements for cooperation on part of a mother in instances where it clearly is not in the best interest of the child to establish a continuing relationship with the father even to the extent of attempting to locate him or to secure child support payments. The committee added language providing that an applicant or recipient found to have good cause for refusing to cooperate would not be subject to this requirement. The cooperation or noncooperation would be determined by the State agency in accordance with the best interests of the child under standards prescribed by the Secretary of HEW. The committee's concern extends to situations in which the tracking down of the absent parent might subject the child or mother to a substantial danger or physical harm or of undue harassment. The committee did not feel that the subject had been sufficiently covered in regulations developed by the Department of HEW. At the same time, it does not intend that cooperation will be broadly waived because of a philosophy that the collection of child support does not generally serve the best interests of a child. Its concern is with individual families where a significant hardship is likely if the provisions of part D of title IV are enforced.

The Subcommittee on Public Assistance considered whether provisions were needed to assure an individual's right to a fair hearing under part D of title IV. The subcommittee was assured by representatives of DHEW that such hearings are covered by part A of title IV and that no additional safeguards are necessary. The committee understands that this includes a hearing when the applicant or recipient is

dissatisfied with the individual selected as a protective payee. The bill accordingly does not contain a provision on this subject.

Two additional technical amendments were approved by the committee. One of these would provide that families in which protective payments were used because of noncooperation will not be counted in applying the 10 percent limitation in the aid to families with dependent children program on the percentage of recipients for whom Federal participation is available in protective payments. This would treat this group of recipients in exactly the same fashion as those who receive protective payments because of nonparticipation in the Work Incentive (WIN) Program. The second of these amendments would permit an advance to States prior to a calendar quarter on the basis of estimates, with the final settlement of Federal participation being made after the end of the calendar quarter. This is the same manner in which the grants-in-aid for the aid to families with dependent children payments and administration and most of the similar grant-in-aid programs under the Social Security Act are treated.

The provisions of H.R. 8598 would be effective August 1, 1975, thereby providing continuity and avoiding the unfortunate effects that have been described.

Estimated Federal Costs of H.R. 8598

In compliance with rule XIII, clause 7(a), the committee makes the following estimates regarding the Federal costs of the amendments contained in H.R. 8598. The net cost of the bill which can be estimated is $20.6 million for the remainder of fiscal year of 1976. The estimated net cost of the bill is approximately the same amount in each of the next 5 fiscal years. The Department of Health, Education, and Welfare has indicated that these estimates are the best available at this time.

The provision that allows a State time, if it is making a good faith effort to implement the child support program, to not be out of compliance with the Federal AFDC law is not seen as either a Federal cost or as a savings. The purpose of the requirement to have States' welfare programs be in compliance with Federal law is to provide incentives to States to develop adequate child support programs.

HEW had estimated that the Federal cost of protecting recipients against loss of benefits in certain States would be $22.5 million for the remaining 11 months of fiscal year 1976. It should be noted that this is a cost over what had been estimated would have been AFDC costs if title IV–D goes into effect without this amendment. It is not an increased cost over what the cost of the AFDC program would be if the provisions in title IV now in effect were to continue after August 1.

No additional costs are expected because of the provisions regarding safeguarding of information.

HEW has estimated that Federal savings from the repeal of the provisions requiring HEW to establish a parent locator service would be $1.9 million for the remainder of fiscal year 1976.

The savings from not having the Internal Revenue Service being involved in collecting amounts delinquent under court orders for child support payments upon the request of the State has been estimated by the IRS to be $122.50 per case. Seventy-five percent of this cost would

be Federal cost when a State is reimbursed for its cost of purchasing this service from the IRS. Since the use of IRS was anticipated to be very slight, the fiscal implications of the deletion of this provision were seen as negligible.

There are no estimates of Federal savings from the provision to repeal the provision now in title IV–D of Federal court jurisdiction to hear certain civil actions to enforce child support obligation.

The estimated costs of the amendments dealing with incentive payments, protective payments, authorizing quarterly advances, audits, and to provide certain requirements dealing with protecting the best interests of the child are seen as negligible.

The amendment to pay States for certain expenses incurred during July 1975 is seen as having some costs but such an estimate is not available at this time from the Department but is expected to be minimal.

Other Matters Required to Be Discussed Under House Rules

In compliance with rule XI, clause 2(1)(2)(B), the committee states that the bill was ordered reported by unanimous voice vote.

In compliance with rule XI, clause 2(1)(4) the committee states that it is not expected that this legislation would have any inflationary impact.

In compliance with rule XI, clause 2(1)(3)(A) the committee states that since the child support program amended by this bill is not yet in operation, the committee on Ways and Means has not developed oversight findings on this program.

In compliance with rule XI, clause 2(1)(3)(B) the committee states that the bill does not provide additional budget authority. In compliance with Rule XI, clause 2(1)(3)(C) the committee states that no estimate or comparison has been received from the Director of the Congressional Budget Office.

In compliance with rule XI, clause 2(1)(3)(D) the committee states that no oversight findings or recommendations have been received by the Committee on Ways and Means from the Committee on Government Operations.

Section-By-Section Analysis of the Bill, as Reported

SECTION 1. TEMPORARY SUSPENSION OF CERTAIN REQUIREMENTS FOR STATES MAKING GOOD-FAITH EFFORTS TO COMPLY

Subsection (a) of section 1 of the bill would amend the provisions of section 404(c) of the Social Security Act, which was enacted by part B of the Social Services Amendments of 1974 in connection with the establishment of the new child support and establishment of paternity program under part D of title IV of the Social Security Act. As part of the new child support program, which goes into effect on August 1, each State which participates in the program of aid to families with dependent children under part A of title IV must (1) have an approved child support plan under part D and (2) require all recipients of aid to assign all of their support rights to the State for the purpose of enforcement and collection as part of the child support

program. However, under section 404(c), as enacted by the Social Services Amendments of 1974, no State will be found, prior to January 1, 1977, to have failed substantially to comply with the first of these two requirements if, in the judgment of the Secretary of Health, Education, and Welfare, the State is making a good-faith effort to comply with the requirement. Under the bill, section 404(c) would be amended to provide that no State shall be found, prior to January 1, 1977, to have failed to comply with either of the two requirements if, in the judgment of the Secretary, the State is making a good-faith effort to carry out the requirements and implement its child support plan to the maximum extent possible under State law and to secure enactment of such legislation as is necessary to comply fully with the requirements.

Subsection (b) would amend section 455 of the Social Security Act which will provide, when the new child support and establishment of paternity program goes into effect, for Federal financial participation at the rate of 75 percent in the cost of State child support plans approved under part D. The amendment would provide for this same Federal financial participation in the cost of similar activities carried out by States which do not have an approved plan under part D but have been determined, under section 404(c), to be making a good faith effort to meet the requirement that they have such an approved plan.

Subsection (c) would amend section 458 of the Social Security Act, which provides incentive payments under the new child support and establishment of paternity program to local, and in certain cases, State governments which collect child support rights that have been assigned to the State for collection. The amendment would provide for the payment of the same incentives in the case of any State which has not met the requirement that all recipients of AFDC assign their support rights to the State but is treated under section 404(c) of the act (as amended by subsection (a) of this section of the bill) as not having failed to comply with that requirement.

SECTION 2. PROTECTION AGAINST DECREASE IN GRANTS BECAUSE OF PAYMENT OF SUPPORT DIRECTLY TO THE STATE

Section 2 of the bill would add a new provision to the list of requirements for an approved State plan for the provision of aid to families with dependent children under part A of title IV of the Social Security Act. Under this new requirement, which is directly related to implementation of the new child support and establishment of paternity program, a State plan would have to provide that, in determining the amount of aid to which a family is entitled, any child support collected and retained by the State pursuant to its child support plan under part D of title IV which would not have caused a reduction in aid had the child support been paid directly to the family will be added to the amount of aid otherwise payable to the family. This new requirement would affect State's which provide aid to families with dependent children at a rate which is less than their needs standard, but permit child support payments to fill the gap between that standard and the actual payment level.

SECTION 3. SAFEGUARDING OF INFORMATION

Section 3 of the bill would amend the provisions of part A of title IV of the Social Security Act concerning the confidentiality of State records maintained under the program of aid to families with dependent children. These provisions, as amended by the Social Services Amendments of 1974, require that an approved State plan provide safeguards which limit the use or disclosure of information concerning applicants or recipients to public officials who require such information in connection with their official duties and other persons for purposes directly connected with the administration of the AFDC program.

The bill would substitute a requirement that the State plan provide for limiting use or disclosure to use or disclosure for purposes directly connected with administration of the supplemental security income, medicaid, social services, adult assistance, and AFDC and related programs, or the administration of any other Federal or federally-assisted program that provides assistance or services directly to individuals on the basis of need.

SECTION 4. FEDERAL COURT JURISDICTION

Section 4 of the bill would repeal section 460 of the Social Security Act. Section 460 is part of the new child support and establishment of paternity program and grants the Federal courts jurisdiction, without regard to the amount in controversy, to hear civil actions to enforce child support obligations with respect to which the Secretary of Health, Education, and Welfare has approved a State application for permission to utilize the Federal courts.

SECTION 5. MODIFICATION OF PROVISIONS GOVERNING ACCESS TO FEDERAL RECORDS

Section 5 of the bill would repeal the provisions of the new child support and establishment of paternity program that provide for the creation of a Parent Locator Service within the Department of Health, Education, and Welfare. This new service will make virtually all Federal records available to both State officials and private citizens for the purpose of establishing or enforcing child support obligations. The bill provides, in lieu of the Parent Locator Service, for retention of the provisions of law in effect prior to the enactment of the Social Services Amendments of 1974 under which social security and internal revenue records are available to State officials for the purpose of locating the absent parents of children receiving aid to families with dependent children.

SECTION 6. ELIMINATION OF AUTHORITY FOR INTERNAL REVENUE SERVICE COLLECTION OF CHILD SUPPORT OBLIGATIONS

Section 6 of the bill would repeal section 6305 of the Internal Revenue Code of 1954 and related provisions of the Social Security Act. These provisions of law, which were enacted as part of the new child

support and establishment of paternity program, make the tax collection procedures of the Internal Revenue Service available for the purpose of collecting certain child support obligations.

SECTION 7. PROTECTION OF CHILD'S BEST INTEREST

Subsection (a) of section 7 of the bill amends section 402(a)(26)(B) of the Social Security Act to provide that the requirement of such section (that an applicant or recipient of aid to families with dependent children cooperate with the State in establishing paternity and in obtaining support or other payments due with respect to a child) will not apply where the applicant or recipient has good cause for refusing to cooperate, as determined by the State agency in accordance with standards which are to be prescribed by the Secretary and which must take into consideration the best interests of such child.

Subsections (b) and (c) of section 7 amend section 454(4) of the Social Security Act to provide that the requirements of such section (that the State undertake to establish paternity and secure support in the case of a child whose support rights have been assigned to the State) will not apply where the State agency administering the AFDC plan finds, in accordance with the standards prescribed by the Secretary under section 402(a)(26)(B) (discussed above), that it is against the child's best interests to do so.

SECTION 8. EXCLUSION OF CERTAIN MANDATORY PROTECTIVE PAYMENTS FROM LIMITATION ON PERCENTAGE OF INDIVIDUALS TO WHOM SUCH PAYMENTS ARE MADE

Section 8 of the bill would amend the provision of section 403(a) of the Social Security Act which limits the number of individuals with respect to whom a State may provide aid to families with dependent children in the form of protective payments to individuals other than the relatives with whom the children receiving that aid are living. Under the current provisions of section 403(a), the number of individuals receiving aid in the form of such protective payments may in general not exceed 10 percent of the number of all other recipients. The amendment would expand the category of individuals who are not counted in computing the 10 percent to include individuals to whom the State is required to provide aid in the form of protective payments because there has been a failure to cooperate in the establishment of paternity or the collection of child support.

SECTION 9. AUTHORITY FOR QUARTERLY ADVANCES TO STATES FOR CHILD SUPPORT PROGRAMS

Section 9 of the bill amends sections 455 of the Social Security Act (the section providing for Federal payments to States for expenses incurred in carrrying out their child support programs) to establish a procedure, similar to the procedures provided in the case of the other public assistance programs, for making such payments in the form of quarterly advances. The Secretary is to estimate in advance the amount which will be due each State for a quarter, based on reports filed by the State and on his own investigations, and make the quarterly payments provided for in section 455 on the basis of those estimates with appropriate adjustments for previous overpayments or underpayments.

SECTION 10. MODIFICATION OF AUDIT REQUIREMENTS

Section 10 of the bill would amend section 452 of the Social Security Act to modify the requirement, under the new child support and establishment of paternity program, that the Secretary of Health, Education, and Welfare conduct an audit of the programs established under each State's child support plan not less often than annually. Under the amendment the Secretary would be required to conduct such an audit "from time to time".

SECTION 11. PAYMENTS TO STATES FOR CERTAIN EXPENSES INCURRED DURING JULY 1975

Section 11 of the bill in effect provides that Federal payments are to be made to States under the new child support program to reimburse them for expenses incurred in carrying out organizational and administrative activities (such as the employment and compensation of personnel, the leasing of office space, and the purchase of equipment) during July 1975, notwithstanding the fact that such program does not actually become effective until August 1, in cases where payment for those activities would have been made had the program become effective on July 1, as originally provided. This section is designed to take account of the fact that a number of States incurred or committed themselves to the payment of these expenses, during July, in good-faith reliance on the original July 1 effective date of the new program.

SECTION 12. EFFECTIVE DATE

Section 12 of the bill provides that the amendments made by it shall be effective on August 1, 1975. This coincides with the effective date of part B of the Social Services Amendments of 1974, which enacts the new child support and establishment of paternity program, as amended by Public Law 94-46.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

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

SOCIAL SECURITY ACT

* * * * * * *

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

* * * * * * *

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * * * *

STATE PLANS FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN

SEC. 402. (a) A State plan for aid and services to needy families with children must—

(1) * * *

* * * * * * *

[(9) provide safeguards which permit the use or disclosure of information concerning applicants or recipients only to (A) public officials who require such information in connection with their official duties, or (B) other persons for purposes directly connected with the administration of aid to families with dependent children;]

(9) provide safeguards which restrict the use or disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part B, C, or D of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI; and (B) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need;

* * * * * * *

(26) provide that, as a condition of eligibility for aid, each applicant or recipient will be required—

(A) to assign the State any rights to support from any other person such applicant may have (i) in his own behalf or in behalf of any other family member for whom the applicant is applying for or receiving aid, and (ii) which have accrued at the time such assignment is executed,

(B) to cooperate with the State (i) in establishing the paternity of a child born out of wedlock with respect to whom aid is claimed, and (ii) in obtaining support payments for such applicant and for a child with respect to whom such aid is claimed, or in obtaining any other payments or property due such applicant or such child, *unless (in either case) such applicant or recipient is found to have good cause for refusing to cooperate as determined by the State agency in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed;* and that, if the relative with whom a child is living is found to be ineligible because of failure to comply with the requirements of subparagraphs (A) and (B) of this paragraph, any aid for which such child is eligible will be provided in the form of protective payments as described in section 406(b)(2) (without regard to subparagraphs (A) through (E) of such section); [and]

(27) provide, that the State have in effect a plan approved under part D and operate a child support program in conformity with such plan[.]*; and*

* * * * * * *

(28) provide that, in determining the amount of aid to which an eligible family is entitled, any portion of the amounts collected in any month as child support pursuant to a plan approved under part D, and retained by the State under section 457, which (under the State plan approved under this part) would not have caused a reduction in the amount of aid paid to the family if such amounts had been paid directly to the family, shall be added to the amount of aid otherwise payable to such family under the State plan approved under this part.

* * * * * * *

PAYMENT TO STATES

SEC. 403. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has an approved plan for aid and services to needy families with children, for each quarter, beginning with the quarter commencing October 1, 1958—

(1) in the case of any States other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to families with dependent children under the State plan (including expenditures for premiums under part B of title XVIII for individuals who are recipients of money payments under such plan and other insurance premiums for medical or any other type of remedial care or the cost thereof)—

(A) five-sixth of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of $18 multiplied by the total number of recipients of aid to families with dependent children for such months (which total number, for purposes of this subsection, means (i) the number of individuals with respect to whom such aid in the form of money payments is paid for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as aid to families with dependent children in the form of medical or any other type of remedial care, plus (iii) the number of individuals, not counted under clause (i) or (ii), with respect to whom payments described in section 406(b)(2) are made in such month and included as expenditures for purposes of this paragraph or paragraph (2)); plus

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of $32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such months, plus (ii) the product of $100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and

(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to one-half of the total of the sums expended during such quarter as aid to families with dependent children under the State plan (including expenditures for premiums under

part B of Title XVIII for individuals who are recipients of money payments under such plan and other insurance premiums for medical or any other type of remedial care or the cost thereof) not counting so much of any expenditure with respect to any month as exceeds $18 multiplied by the total number of recipients of such aid for such month; and

* * * * *

(5) in the case of any State, an amount equal to 50 per centum of total amount expended under the State plan during such quarter as emergency assistance to needy families with children.

The number of individuals with respect to whom payments described in section 406(b)(2) are made for any month, who may be included as recipients of aid to famiiles with dependent children for purposes of paragraph (1) or (2), may not exceed 10 per centum of the number of other recipents of aid to families with dependent children for such months. In computing such 10 percent, there shall not be taken into account individuals with respect to whom such payments are made for any month in accordance with section 402(a)(19)(F) *or section 402(a)(26)*.

* * * * * * *

(h) Notwithstanding any other provision of this Act, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters beginning after December 31, 1976, be reduced by 5 per centum of such amount if such State is found by the Secretary [as the result of the annual audit] to have failed to have an effective program meeting the requirements of section 402(a)(27) in any fiscal year beginning after September 30, 1976 (but, in the case of the fiscal year beginning October 1, 1976, only considering the second, third, and fourth quarters thereof).

* * * * * * *

OPERATION OF STATE PLANS

SEC. 404. (a) * * *

* * * * * * *

(c) No State shall be found, prior to January 1, 1977, to have failed [substantially] to comply with the requirements of section *402(a)(26)* or 402(a)(27) if, in the judgment of the Secretary, such State is making a [good faith effort to implement the program required by such section.] *good-faith effort (1) to comply with such requirements to the maximum extent possible and to implement so much of the child support program under part D as may be implemented under the law of such State, and (2) to secure the enactment of such legislation or additional legislation as may be necessary to comply fully with such requirements and implement fully such program.*

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PART D—CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY APPROPRIATION

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DUTIES OF THE SECRETARY

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

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

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

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

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

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

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

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

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

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

[(10)] *(7)* not later than June 30 of each year beginning after December 31, 1975, submit to the Congress a report on all activities undertaken pursuant to the provisions of this part.

[(b) The Secretary shall, upon the request of any State having in effect a State plan approved under this part, certify the amount of any child support obligation assigned to such State to the Secretary of the Treasury for collection pursuant to the provisions of section 6305 of the Internal Revenue Code of 1954. No amount may be certified for collection under this subsection except the amount of the delinquency under a court order for support and upon a showing by the State that such State has made diligent and reasonable efforts to collect such

amounts utilizing its own collection mechanisms, and upon an agreement that the State will reimburse the United States for any costs involved in making the collection. The Secretary after consultation with the Secretary of the Treasury may, by regulation, establish criteria for accepting amounts for collection and for making certification under this subsection including imposing such limitations on the frequency of making such certifications under this subsection.

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

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

[PARENT LOCATOR SERVICE

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

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

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

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

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

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

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

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

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

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

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

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

[(f) The Secretary, in carrying out his duties and functions under this section, shall enter into arrangements with State agencies administering State plans approved under this part for such State agencies to accept from resident parents, legal guardians, or agents of a child

described in subsection (c)(3) and, after determining that the absent parent cannot be located through the procedures under the control of such State agencies, to transmit to the Secretary requests for information with regard to the whereabouts of absent parents and otherwise to cooperate with the Secretary in carrying out the purposes of this section.]

ASSISTANCE IN LOCATING PARENTS

SEC. 453. (a) Upon receiving from the organizational unit established or designated under the plan of a State approved under this part a request, containing such information as the Secretary may by regulation prescribe, for assistance in locating a parent (of a dependent child with respect to whom aid is being provided under the plan of the State approved under part A)—

(1) against whom an order for the support and maintenance of such child has been issued by a court of competent jurisdiction but who is not making payments in compliance or partial compliance with such order, or against whom a petition for such an order has been filed in a court having jurisdiction to receive such petition, and

(2) whom the organizational unit has been unable to locate after requesting and utilizing, pursuant to section 1106, information included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205,

the Secretary shall furnish to the Secretary of the Treasury or his delegate the name and social security account number of the parent and the name of the organizational unit which submitted the request. The Secretary of the Treasury or his delegate shall endeavor to ascertain the address of the parent from the master files of the Internal Revenue Service, and shall furnish any address so ascertained to the organizational unit which submitted the request.

(b) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (a). The Secretary shall transfer to the Secretary of the Treasury from time to time sufficient amounts out of the sums appropriated pursuant to this subsection to enable him to perform his duties under subsection (a).

STATE PLAN FOR CHILD SUPPORT

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

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

(2) provide for financial participation by the State;

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

(4) provide that such State will undertake—

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

(B) in the case of any child with respect to whom such assignment is effective, to secure support for such child from his parent (or from any other person legally liable for such support), utilizing any reciprocal arrangements adopted with other States, *unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so* [, except that when such arrangements and other means have proven ineffective, the State may utilize the Federal courts to obtain or enforce court orders for support];

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

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

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

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

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

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

(B) where applicable, assistance available under section 453 and 1106;

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

(A) in establishing paternity, if necessary,

(B) in locating an absent parent residing in the State (whether or not permanently) against whom any action is

being taken under a program established under a plan approved under this part in another State,

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

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

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

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

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

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

PAYMENTS TO STATES

SEC. 455. (*a*) From the sums appropriated therefore, the Secretary shall pay to each State for each quarter, beginning with the quarter commencing July 1, 1975, an amount equal to 75 percent of the total amounts expended by such State during such quarter for the operation of [the] *its* plan approved under section 454 *or (if it has no plan so approved but is treated under section 404(c) as not having failed to comply with the requirements of section 402(a)(27)) for the conduct of activities with respect to which payment under this section would be made in the case of a State having a plan so approved*, except that no amount shall be paid to any State on account of furnishing collection services (other than parent locator services) to individuals under section 454(6) during any period beginning after June 30, 1976.

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

(2) The Secretary shall then pay, in such installments as he may determine, to the State the amount so estimated, reduced or increased

to the extent of any overpayment or underpayment which the Secretary determines was made under this section to such State for any prior quarter and with respect to which adjustment has not already been made under this subsection.

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

[CIVIL ACTIONS TO ENFORCE CHILD SUPPORT OBLIGATIONS

[SEC. 460. The district courts of the United States shall have jurisdiction, without regard to any amount in controversy, to hear and determine any civil action certified by the Secretary of Health, Education, and Welfare under section 452(a)(8) of this Act. A civil action under this section may be brought in any judicial district in which the claim arose, the plaintiff resides, or the defendant resides.]

* * * * * * *

TITLE XI—GENERAL PROVISIONS AND PROFESSIONAL STANDARDS REVIEW

PART A—GENERAL PROVISIONS

DISCLOSURE OF INFORMATION IN POSSESSION OF DEPARTMENT

SEC. 1106. (a) No disclosure of any return or portion of a return (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act or under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code of 1939, or under chapter 2 or 21 or, pursuant thereto, under subtitle F of the Internal Revenue Code of 1954, or under regulations made under authority thereof, which has been transmitted to the Secretary of Health, Education, and Welfare by the Commissioner of Internal Revenue, or of any file, record, report, or other paper, or any information, obtained at any time by the Secretary or by any officer or employee of the Department of Health, Education, and Welfare in the course of discharging the duties of the Secretary under this Act, and no disclosure of any such file, record, report, or other paper, or information, obtained at any time by any person from the Secretary or from any officer or employee of the Department of Health, Education, and Welfare, shall be made except as the Secretary may by regulations prescribed [and except as provided in part D of title IV of this Act]. Any person who shall violate any provision of this section shall be deemed guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine not exceeding $1,000, or by imprisonment not exceeding one year, or both.

(b) Requests for information, disclosure of which is authorized by regulations prescribed pursuant to subsection (a) of this section, and requests for services, may, subject to such limitations as may be prescribed by the Secretary to avoid undue interference with his functions under this Act, be complied with if the agency, person, or organization making the request agrees to pay for the information or services

requested in such amount, if any (not exceeding the cost of furnishing the information or services), as may be determined by the Secretary. Payments for information or services furnished pursuant to this section shall be made in advance or by way of reimbursement, as may be requested by the Secretary, and shall be deposited in the Treasury as a special deposit to be used to reimburse the appropriations (including authorizations to make expenditures from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund, and the Federal Supplementary Medical Insurance Trust Fund) for the unit or units of the Department of Health, Education, and Welfare which furnished the information or services. [Notwithstanding the preceding provisions of this subsection, requests for information made pursuant to the provisions of part D of title IV of this Act for the purpose of using Federal records for locating parents shall be complied with and the cost incurred in providing such information shall be paid for as provided in such part D of title IV.]

[1] (c) (1) (A) Upon request [(filed in accordance with paragraph (2) of this subsection) of any State or local agency participating in administration of the State plan approved under title I, X, XIV, XVI or XIX, or part A of title IV, or participating in the administration of any other State or local public assistance program,] *of any agency participating in the administration of a State plan approved under part D of title IV* for the most recent address of any individual included in the files of the Department of Health, Education, and Welfare maintained pursuant to section 205, the Secretary shall furnish such address, or the address of the most recent employer, or both, if such agency certifies that—

(i) an order has been issued by a court of competent jurisdiction against such individual for the support and maintenance of his child or children who are under the age of 16 in destitute or necessitous circumstances.

(ii) such child or children are applicants for or recipients of assistance available under such a plan [or program],

(iii) such agency has attempted without success to secure such information from all other sources reasonably available to it, and

(iv) such information is requested (for its own use, or on the request and for the use of the court which issued the order) for the purpose of obtaining such support and maintenance.

(B) If a request for the most recent address of any individual so included is filed (in accordance with paragraph (2) of this subsection) by a court having jurisdiction to issue orders or entertain petitions against individuals for the support and maintenance of their children, the Secretary shall furnish such address, or the address of the individual's most recent employer, or both, for the use of the court (and for no other purpose) in issuing or determining whether to issue such an order against such individual or in determining (in the event such individual is not within the jurisdiction of the court) the court to which a petition for support and maintenance against such individual

[1] Subsection (c) was repealed by sec. 101(d) of Public Law 93-647 and such amendment was repealed by sec. 5(b) of the bill which has the effect of reenacting subsection (c).

should be forwarded under any reciprocal arrangements with other States to obtain or improve court orders for support, if the court certifies that the information is requested for such use.

(2) A request under paragraph (1) shall be filed in such manner and form as the Secretary may prescribe (and, in the case of a request under paragraph (1) (A), shall be accompanied by a certified copy of the order referred to in clauses (i) and (iv) thereof).

(3) The penalties provided in the second sentence of subsection (a) shall apply with respect to use of information provided under paragraph (1) of this subsection except for the purpose authorized by subparagraph (A) (iv) or (B) thereof.

(4) The Secretary, in such cases and to such extent as he may prescribe in accordance with regulations, may require payment for the cost of information provided under paragraph (1); and the provisions of the second sentence of subsection (b) shall apply also with respect to payment under this paragraph.

SECTION 101 OF THE SOCIAL SERVICES AMENDMENTS OF 1974

PART B—CHILD SUPPORT PROGRAMS

CHILD SUPPORT AND ESTABLISHMENT OF PATERNITY

In General

SEC. 101. (a) * * *

* * * * * * *

[Collection of Child Support Obligations

[(b) (1) Subchapter A of chapter 64 of the Internal Revenue Code of 1954 (relating to collection of taxes) is amended by adding at the end thereof the following new section:

["SEC. 6305. COLLECTION OF CERTAIN LIABILITY.

["(a) IN GENERAL.—Upon receiving a certification from the Secretary of Health, Education, and Welfare, under section 452(b) of the Social Security Act with respect to any individual, the Secretary or his delegate shall assess and collect the amount certified by the Secretary of Health, Education, and Welfare, in the same manner, with the same powers, and (except as provided in this section) subject to the same limitations as if such amount were a tax imposed by subtitle C the collection of which would be jeopardized by delay, except that—

["(1) no interest or penalties shall be assessed or collected,

["(2) for such purposes, paragraphs (4), (6), and (8) of section 6334(a) (relating to property exempt from levy) shall not apply,

["(3) there shall be exempt from levy so much of the salary, wages, or other income of an individual as is being withheld therefrom in garnishment pursuant to a judgment entered by a court

of competent jurisdiction for the support of his minor children, and

"(4) in the case of the first assessment against an individual for delinquency under a court order against such individual for a particular person or persons, the collection shall be stayed for a period of 60 days immediately following notice and demand as described in section 6303.

"(b) REVIEW OF ASSESSMENTS AND COLLECTIONS.—No court of the United States, whether established under article I or article III of the Constitution, shall have jurisdiction of any action, whether legal or equitable, brought to restrain or review the assessment and collection of amounts by the Secretary or his delegate under subsection (a), nor shall any such assessment and collection be subject to review by the Secretary or his delegate in any proceeding. This subsection does not preclude any legal, equitable, or administrative action against the State by an individual in any State court or before any State agency to determine his liability for any amount assessed against him and collected, or to recover any such amount collected from him, under this section.".

(2) The table of sections for such subchapter is amended by adding at the end thereof the following new item:

"SEC. 6305. Collection of certain liability.".

* * * * * * *

Conforming Amendments to Title XI

(d) Section 1106 of such Act is amended—

(1) by striking out the period at the end of the first sentence of subsection (a) and inserting in lieu thereof the following: "and except as provided in part D of title IV of this Act.";

(2) by adding at the end of subsection (b) the following new sentence: "Notwithstanding the preceding provisions of this subsection, requests for information made pursuant to the provisions of part D of title IV of this Act for the purpose of using Federal records for locating parents shall be complied with and the cost incurred in providing such information shall be paid for as provided in such part D of title IV."; and

(3) by striking out subsection (c).

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SECTION 6305 OF THE INTERNAL REVENUE CODE OF 1954.

CHAPTER 64—COLLECTION

* * * * * * *

SUBCHAPTER A—GENERAL PROVISIONS

Sec. 6301. Collection authority.
Sec. 6302. Mode or time of collection.
Sec. 6303. Notice and demand for tax.
Sec. 6304. Collection under the Tariff Act.
Sec. 6305. Collection of certain liability.

* * * * * * *

SEC. 6305. COLECTION OF CERTAIN LIABILITY.

(a) IN GENERAL.—Upon receiving a certification from the Secretary of Health, Education, and Welfare, under section 452(b) of the Social Security Act with respect to any individual, the Secretary or his delegate shall assess and collect the amount certified by the Secretary of Health, Education, and Welfare, in the same manner, with the same powers, and (except as provided in this section) subject to the same limitations as if such amount were a tax imposed by subtitle C the collection of which would be jeopardized by delay, except that—

(1) no interest or penalties shall be assessed or collected,

(2) for such purposes, paragraphs (4), (6), and (8) of section 6334(a) (relating to property exempt from levy) shall not apply,

(3) there shall be exempt from levy so much of the salary, wages, or other income of an individual as is being withheld therefrom in garnishment pursuant to a judgment entered by a court of competent jurisdiction for the support of his minor children, and

(4) in the case of the first assessment against an individual for delinquency under a court order against such individual for a particular person or persons, the collection shall be stayed for a period of 60 days immediately following notice and demand as described in section 6303.

(b) REVIEW OF ASSESSMENTS AND COLLECTIONS.—No court of the United States, whether established under article I or article III of the Constitution, shall have jurisdiction of any action, whether legal or equitable, brought to restrain or review the assessment and collection of amounts by the Secretary or his delegate under subsection (a), nor shall any such assessment and collection be subject to review by the Secretary or his delegate in any proceeding. This subsection does not preclude any legal, equitable, or administrative action against the State by an individual in any State court or before any State agency to determine his liability for any amount assessed against him and collected, or to recover any such amount collected from him, under this section.

○

H. R. 7710

Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the fourteenth day of January, one thousand nine hundred and seventy-five

An Act

To amend the Tariff Schedules of the United States to provide duty free treatment to watches and watch movements manufactured in any insular possession of the United States if foreign materials do not exceed 70 percent of the total value of such watches and movements, to amend child support provisions of title IV of the Social Security Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That general headnote 3(a)(i) of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by inserting immediately after "50 percent of their total value" the following: "(or more than 70 percent of their total value with respect to watches and watch movements)".

SEC. 2. The amendment made by the first section of this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption on or after the date of enactment of this Act.

TITLE II—AMENDMENTS RELATING TO SOCIAL SECURITY ACT

TEMPORARY WAIVERS OF CERTAIN REQUIREMENTS FOR CERTAIN STATES

SEC. 201. (a) If the Governor of any State, which has an approved State plan under part A of title IV of the Social Security Act, submits to the Secretary of Health, Education, and Welfare (hereinafter in this section referred to as the "Secretary"), a request that any provision of section 402(a)(26) of the Social Security Act or section 402(a)(27) of such Act not be made applicable to such State prior to a date specified in the request (which shall not be later than June 30, 1976) and—

(1) such request is accompanied by a certification, with respect to such provision, of the Governor that the State cannot implement such provision because of the lack of authority to do so under State law, and

(2) such request fully explains the reasons why such provision cannot be implemented, and sets forth any provision of State law which impedes the implementation thereof,

the Secretary shall, if he is satisfied that such a waiver is justified, grant the waiver so requested.

(b) During any period with respect to which a waiver, obtained under subsection (a) with respect to section 402(a)(26)(A) of the Social Security Act, is in effect with respect to any State, the provisions of section 454 (4) and (5) of such Act shall be applied to such State in like manner as if the phrase "with respect to whom an assignment under section 402(a)(26) of this title is effective" did not appear therein, and the provisions of section 458 of such Act shall be applied to such State in like manner as if the phrase "support rights assigned under section 402(a)(26)" read "child support obligations".

(c) Section 455 of the Social Security Act is amended to read as follows:

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

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

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

except that no amount shall be paid to any State on account of furnishing child support collection or paternity determination services (other than the parent locator services) to individuals under section 454(6) during any period beginning after June 30, 1976.".

(d) The Secretary shall from time to time, submit to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, full and complete reports (the first of which shall not be later than September 15, 1975) regarding any requests which he has received for waivers under subsection (a) and any waivers granted by him under such subsection, and such reports shall include copies of all such requests for such waivers and any supporting documents submitted with or in connection with any such requests.

PROTECTION AGAINST DECREASE IN GRANTS BECAUSE OF PAYMENT OF SUPPORT DIRECTLY TO THE STATE

SEC. 202. Section 402(a) of the Social Security Act is amended—

(1) by striking out "and" at the end of paragraph (26);

(2) by striking out the period at the end of paragraph (27) and inserting in lieu thereof "; and"; and

(3) by adding after paragraph (27) the following new paragraph:

"(28) provide that, in determining the amount of aid to which an eligible family is entitled, any portion of the amounts collected in any particular month as child support pursuant to a plan approved under part D, and retained by the State under section 457, which (under the State plan approved under this part as in effect both during July 1975 and during that particular month) would not have caused a reduction in the amount of aid paid to the family if such amounts had been paid directly to the family, shall be added to the amount of aid otherwise payable to such family under the State plan approved under this part.".

SUPPORT ASSIGNMENTS BY RECIPIENTS DURING TRANSITIONAL PERIOD

SEC. 203. (a) In the case of any State the law of which on August 1, 1975, meets the requirements of section 402(a)(26)(A) of the Social Security Act, the requirements of such section shall be effective, with respect to individuals who are recipients on August 1, 1975, at such time as may be determined by the State agency, but not later than the time of the first redetermination of eligibility required after August 1, 1975, and in any event not later than February 1, 1976.

(b) In the case of any State described in subsection (a), the provisions of section 454 (4) and (5) of the Social Security Act shall, during the period beginning August 1, 1975, and ending December 31, 1975, be applied, with respect to all recipients of aid under the State

plan of such State (approved under part A of title IV of such Act) who have not made an assignment pursuant to section 402(a)(26)(A) of such Act, in the case of such State in like manner as if the phrase "with respect to whom an assignment under section 402(a)(26) of this title is effective" did not appear therein, and the provisions of section 458 of such Act shall, during such period, be applied in the case of such State in like manner as if the phrase "support rights assigned under section 402(a)(26)" read "child support obligations".

REMOVAL OF VENDOR PAYMENT LIMITATION FOR CHILD SUPPORT

SEC. 204. Section 403(a) of the Social Security Act is amended by inserting before the period at the end thereof "or section 402(a)(26)".

AUTHORITY FOR QUARTERLY ADVANCES TO STATES FOR CHILD SUPPORT PROGRAMS

SEC. 205. (a) Section 455 of the Social Security Act (as added by the Social Services Amendments of 1974 and amended by section 201(c) of this Act) is amended by inserting "(a)" immediately after "SEC. 455." and by adding at the end thereof the following new subsection:

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

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

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

PAYMENTS TO STATES FOR CERTAIN EXPENSES INCURRED DURING JULY 1975

SEC. 206. Notwithstanding any other provision of law, amounts expended in good faith by any State (or by any of its political subdivisions) during July 1975 in employing and compensating staff personnel, leasing office space, purchasing equipment, or carrying out other organizational or administrative activities, in preparation for or implementation of the child support program under part D of title IV of the Social Security Act, shall be considered for purposes of section 455 of such Act (as amended by this Act), to the extent that payment for the activities involved would be made under such section (as so amended) if section 101 of the Social Services Amendments of 1974 had become effective on July 1, 1975, to have been expended by the State for the operation of the State plan or for the conduct of activities specified in such section (as so amended).

CORRECTED SHEET

SAFEGUARDING OF INFORMATION

SEC. 207. Section 402(a)(9) of the Social Security Act (as amended by the Social Services Amendments of 1974) is amended to read as follows:

"(9) provide safeguards which restrict the use of disclosure of information concerning applicants or recipients to purposes directly connected with (A) the administration of the plan of the State approved under this part, the plan or program of the State under part B, C, or D of this title or under title I, X, XIV, XVI, XIX, or XX, or the supplemental security income program established by title XVI, (B) any investigation, prosecution, or criminal or civil proceeding, conducted in connection with the administration of any such plan or program, and (C) the administration of any other Federal or federally assisted program which provides assistance, in cash or in kind, or services, directly to individuals on the basis of need; and the safeguards so provided shall prohibit disclosure, to any committee or a legislative body, of any information which identifies by name or address any such applicant or recipient;".

PROTECTION OF CHILD'S BEST INTEREST

SEC. 208. (a) Section 402(a)(26)(B) of the Social Security Act (as added by the Social Services Amendments of 1974) is amended by inserting immediately after "such applicant or such child" the following: ", unless (in either case) such applicant or recipient is found to have good cause for refusing to cooperate as determined by the State agency in accordance with standards prescribed by the Secretary, which standards shall take into consideration the best interests of the child on whose behalf aid is claimed;".

(b) Section 454(4)(A) of such Act (as so added) is amended by inserting after "such child," the following: "unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so,".

(c) Section 454(4)(B) of such Act (as so added) is amended by inserting immediately after "other States" the following: "(unless the agency administering the plan of the State under part A of this title determines in accordance with the standards prescribed by the Secretary pursuant to section 402(a)(26)(B) that it is against the best interests of the child to do so)".

(d)(1) The Secretary of Health, Education, and Welfare shall submit to the Congress any proposed standards authorized to be prescribed by him under section 402(a)(26)(B) of the Social Security Act (as added by the Social Services Amendments of 1974 and as amended by subsection (a) of this section). Such standards shall take effect at the end of the period which ends 60 days after such proposed standards are so submitted to such committees unless, within such period, either House of the Congress, adopts a resolution of disapproval.

(2) For purposes of this subsection, the term "resolution" means only—

(A) a concurrent resolution of the two Houses of the Congress, the matter after the resolving clause of which is as follows: "That the Congress does not approve the standards (as authorized under

section 402(a)(26)(B) of the Social Security Act) transmitted to the Congress on .", the blank space being filled with the appropriate date; and

(B) a resolution of either House of the Congress, the matter after the resolving clause of which is as follows: "That the does not approve the standards (as authorized under section 402(a)(26)(B) of the Social Security Act) transmitted to the Congress on .", with the first blank space being filled with the name of the resolving House, and the second blank space being filled with the appropriate date.

(3) The provisions of subsection (b), (c), (d), (e), and (f) of section 152 of the Trade Act of 1974 shall be applicable to resolutions under this subsection, except that the "20 hours" referred to in subsections (d)(2) and (e)(2) of such section shall be deemed to read "4 hours".

TECHNICAL AMENDMENT

SEC. 209. Section 402(a)(27) is amended by striking out "States have" and inserting in lieu thereof "State has".

EFFECTIVE DATE

SEC. 210. The amendments made by this title shall, unless otherwise specified therein, become effective August 1, 1975.

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

FOR IMMEDIATE RELEASE AUGUST 11, 1975

Office of the White House Press Secretary
(Vail, Colorado)

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I have approved H. R. 7710, a bill which would make a desirable change in the tariff schedules affecting watches and watch movements manufactured in U. S. insular possessions. It would also amend the new child support program which became law last January as part of the Social Security Act.

The child support amendments which were added to this bill shortly before the Congress recessed will provide some States needed time to change their laws to comply with the new program, which became effective on August 1, 1975. They will also help in the orderly implementation of this program and will strengthen the confidentiality of records in the program of Aid to Families with Dependent Children by specifying the purposes for disclosure of such records.

One of these amendments requires the Secretary of Health, Education and Welfare to develop standards to assure that unreasonable demands are not made on individuals to cooperate with States in their child support collection efforts. Regrettably, this amendment requires the Secretary to submit the proposed standards to the Congress with the provision that they may be disapproved by either House within 60 days.

As I indicated when I signed into law the Amtrak Improvement Act of 1975 on May 26, I am seriously concerned about the increasing frequency of passage by Congress of legislation containing such provisions, which are an unconstitutional exercise of congressional power. At the same time, I believe it is entirely proper for the Congress to request information and to be consulted on the operation of Government programs.

I am therefore instructing the Secretary of Health, Education and Welfare to treat this provision of H. R. 7710 simply as a request for information about the proposed standards in advance of their promulgation. Accordingly, I have asked the Secretary to report to the Congress at least 60 days in advance of the date he intends to issue such standards to protect individuals' interests in child support collection efforts.

When I approved the legislation establishing the new child support program last January, I expressed my strong backing of its objectives. I reaffirm that support now. However, at that time I also stated that some of the program's provisions inject the Federal Government too deeply into domestic relations and that others raise serious privacy and administrative issues. I pointed specifically to the provisions for use of the Federal courts and the tax collection procedures of the Internal Revenue Service for the collection of child support, the provisions imposing excessive audit requirements on the Department of Health, Education and Welfare, and the provisions establishing a parent locator service with access to all Federal records.

Legislation which would have corrected these problems was recently passed by the House of Representatives, but these corrective amendments were not included in the bill I have just signed. I urge the Congress to enact such legislation as soon as possible after the current recess, so the desirable objectives of the child support program are not undermined by undue intrusion of the Federal Government into people's personal lives.

# # #

August 2, 1975

Dear Mr. Director:

The following bills were received at the White House on August 2nd:

H.R. 83	H.R. 7716
H.R. 1553	H.R. 9091
H.R. 4241	S. 409
H.R. 4723	S. 1531
H.R. 5405	S. 1716
H.R. 7710	S. 2073

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C.