

Union Calendar No. 388

105TH CONGRESS
2^D SESSION

H. R. 4271

[Report No. 105-6861]

A BILL

To amend the Community Services Block Grant Act to reauthorize and make improvements to that Act.

August 7, 1998

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

Union Calendar No. 388

105TH CONGRESS
2^D SESSION

H. R. 4271

[Report No. 105-686]

To amend the Community Services Block Grant Act to reauthorize and make improvements to that Act.

IN THE HOUSE OF REPRESENTATIVES

JULY 17, 1998

Mr. RIGGS (for himself, Mr. GOODLING, Mr. BARRETT of Nebraska, Mr. GREENWOOD, and Mr. PETERSON of Pennsylvania) introduced the following bill; which was referred to the Committee on Education and the Workforce

AUGUST 7, 1998

Additional sponsor: Mr. SOUDER

AUGUST 7, 1998

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on July 17, 1998]

A BILL

To amend the Community Services Block Grant Act to reauthorize and make improvements to that Act.

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

1 **TITLE I—AMENDMENTS TO THE**
2 **COMMUNITY SERVICES**
3 **BLOCK GRANT ACT**

4 **SEC. 101. SHORT TITLE.**

5 *This title may be cited as the “Community Services*
6 *Authorization Act of 1998”.*

7 **SEC. 102. REAUTHORIZATION.**

8 *The heading for subtitle B, and sections 671 through*
9 *680, of the Community Services Block Grant Act (42 U.S.C.*
10 *9901–9909) are amended to read as follows:*

11 **“Subtitle B—Community Services**
12 **Block Grant Program**

13 **“SEC. 671. SHORT TITLE.**

14 *“This subtitle may be cited as the ‘Community Serv-*
15 *ices Block Grant Act’.*

16 **“SEC. 672. PURPOSES AND GOALS.**

17 *“The purpose of this subtitle is to provide assistance*
18 *to States and local communities, working through a net-*
19 *work of community action agencies and other neighborhood-*
20 *based organizations, for the reduction of poverty, the revi-*
21 *talization of low-income communities, and the empower-*
22 *ment of low-income families and individuals in rural and*
23 *urban areas to become fully self-sufficient (particularly*
24 *families who are attempting to transition off a State pro-*
25 *gram carried out under part A of title IV of the Social Secu-*

1 *riety Act (42 U.S.C. 601 et seq.)). Such goals may be accom-*
2 *plished through—*

3 *“(1) the strengthening of community capabilities*
4 *for planning, coordinating, and utilizing a broad*
5 *range of Federal, State, local, and private resources*
6 *for the elimination of poverty, and for helping indi-*
7 *viduals and families achieve self-sufficiency;*

8 *“(2) greater use of innovative and effective, com-*
9 *munity-based approaches to attacking the causes and*
10 *effects of poverty and of community breakdown;*

11 *“(3) the maximum participation of residents of*
12 *the low-income communities and members of the*
13 *groups served by programs assisted through the block*
14 *grant to empower such individuals to respond to the*
15 *unique problems and needs within their communities;*
16 *and*

17 *“(4) the broadening of the resource base of pro-*
18 *grams directed to the elimination of poverty so as to*
19 *secure a more active role for private, faith-based,*
20 *charitable, and neighborhood organizations in the*
21 *provision of services as well as individual citizens,*
22 *business, labor, and professional groups who are able*
23 *to influence the quantity and quality of opportunities*
24 *and services for the poor.*

1 **“SEC. 673. DEFINITIONS.**

2 *“In this subtitle:*

3 *“(1) ELIGIBLE ENTITY.—The term ‘eligible en-*
4 *tity’ means an entity—*

5 *“(A) that is an eligible entity described in*
6 *section 673(1) (as in effect on the day before the*
7 *date of enactment of the Human Services Reau-*
8 *thorization Act of 1998) as of such date of enact-*
9 *ment or is designated by the process described in*
10 *section 676A (including an organization serving*
11 *migrant or seasonal farmworkers that is so de-*
12 *scribed or designated); and*

13 *“(B) that has a tripartite board or other*
14 *mechanism described in subsection (a) or (b), as*
15 *appropriate, of section 676B.*

16 *“(2) POVERTY LINE.—The term ‘poverty line’*
17 *means the official poverty line defined by the Office*
18 *of Management and Budget based on the most recent*
19 *data available from the Bureau of the Census. The*
20 *Secretary shall revise the poverty line annually (or at*
21 *any shorter interval the Secretary determines to be*
22 *feasible and desirable) which shall be used as a cri-*
23 *terion of eligibility in the community services block*
24 *grant program established under this subtitle. The re-*
25 *quired revision shall be accomplished by multiplying*
26 *the official poverty line by the percentage change in*

1 *the Consumer Price Index for All Urban Consumers*
2 *during the annual or other interval immediately pre-*
3 *ceding the time at which the revision is made. When-*
4 *ever a State determines that it serves the objectives of*
5 *the block grant program established under this sub-*
6 *title, the State may revise the poverty line to not to*
7 *exceed 125 percent of the official poverty line other-*
8 *wise applicable under this paragraph.*

9 “(3) *PRIVATE, NONPROFIT ORGANIZATION.*—*The*
10 *term ‘private, nonprofit organization’ includes a*
11 *faith-based organization, to which the provisions of*
12 *section 679 shall apply.*

13 “(4) *SECRETARY.*—*The term ‘Secretary’ means*
14 *the Secretary of Health and Human Services.*

15 “(5) *STATE.*—*The term ‘State’ means each of the*
16 *several States, the District of Columbia, the Common-*
17 *wealth of Puerto Rico, Guam, the United States Vir-*
18 *gin Islands, American Samoa, and the Common-*
19 *wealth of the Northern Mariana Islands, but for fiscal*
20 *years ending before October 1, 2001, includes the Fed-*
21 *erated States of Micronesia, the Republic of the Mar-*
22 *shall Islands, and Palau.*

23 **“SEC. 674. AUTHORIZATION OF APPROPRIATIONS.**

24 “(a) *IN GENERAL.*—*There are authorized to be appro-*
25 *priated \$535,000,000 for fiscal year 1999 and such sums*

1 *as may be necessary for each of fiscal years 2000 through*
2 *2003 to carry out the provisions of this subtitle (other than*
3 *sections 681 and 682).*

4 “(b) *RESERVATIONS.*—*Of the amounts appropriated*
5 *under subsection (a) for each fiscal year, the Secretary shall*
6 *reserve—*

7 “(1) *1/2 of 1 percent for carrying out section*
8 *675A (relating to payments for territories);*

9 “(2) *1 1/2 percent for activities authorized in sec-*
10 *tions 678A through 678F, of which—*

11 “(A) *not less than 1/2 of the amount reserved*
12 *by the Secretary under this paragraph shall be*
13 *distributed directly to local eligible entities or to*
14 *statewide organizations whose membership is*
15 *composed of eligible entities, as required under*
16 *section 678A(c) for the purpose of carrying out*
17 *activities described in section 678A; and*

18 “(B) *1/2 of the remainder of the amount re-*
19 *served by the Secretary under this paragraph*
20 *shall be used to carry out monitoring, evalua-*
21 *tion, and corrective activities described in sec-*
22 *tions 678B(c) and 678A; and*

23 “(3) *not more than 9 percent for carrying out*
24 *section 680 (relating to discretionary activities).*

1 **“SEC. 675. ESTABLISHMENT OF BLOCK GRANT PROGRAM.**

2 *“The Secretary is authorized to establish a community*
3 *services block grant program and make grants through the*
4 *program to States to ameliorate the causes of poverty in*
5 *communities within the States.*

6 **“SEC. 675A. DISTRIBUTION TO TERRITORIES.**

7 *“(a) APPORTIONMENT.—The Secretary shall apportion*
8 *the amount reserved under section 674(b)(1)—*

9 *“(1) for each fiscal year on the basis of need*
10 *among Guam, American Samoa, the United States*
11 *Virgin Islands, and the Commonwealth of the North-*
12 *ern Mariana Islands; and*

13 *“(2) for fiscal years ending before October 1,*
14 *2001, and subject to subsection (c), on the basis of*
15 *need among the Federated States of Micronesia, the*
16 *Republic of the Marshall Islands, and Palau.*

17 *“(b) APPLICATION.—Each jurisdiction to which sub-*
18 *section (a) applies may receive a grant under this subtitle*
19 *for the amount apportioned under subsection (a) on submit-*
20 *ting to the Secretary, and obtaining approval of, an appli-*
21 *cation containing provisions that describe the programs for*
22 *which assistance is sought under this subtitle, and that are*
23 *consistent with the requirements of section 676.*

24 *“(c) LIMITATION.—(1) Funds apportioned under sub-*
25 *section (a) for the Federated States of Micronesia, the Re-*
26 *public of the Marshall Islands, and Palau shall be used by*

1 *the Secretary to make grants on a competitive basis, pursu-*
2 *ant to recommendations submitted to the Secretary by the*
3 *Pacific Region Educational Laboratory of the Department*
4 *of Education, to the Federated States of Micronesia, the Re-*
5 *public of the Marshall Islands, Palau, Guam, American*
6 *Samoa, and the Commonwealth of the Northern Mariana*
7 *Islands, for the purpose of carrying out programs in accord-*
8 *ance with this subtitle.*

9 “(2) *Not more than 5 percent of such funds may be*
10 *used by the Secretary to compensate the Pacific Region*
11 *Educational Laboratory of the Department of Education*
12 *for administrative costs incurred in connection with mak-*
13 *ing recommendations under paragraph (1).*

14 “(3) *Notwithstanding any other provision of law, the*
15 *Federated States of Micronesia, the Republic of the Marshall*
16 *Islands, and Palau shall not receive any funds under this*
17 *subtitle for any fiscal year that begins after September 30,*
18 *2001.*

19 **“SEC. 675B. ALLOTMENTS AND PAYMENTS TO STATES.**

20 “(a) *ALLOTMENTS IN GENERAL.—The Secretary shall,*
21 *from the amount appropriated under section 674(a) for*
22 *each fiscal year that remains after the Secretary makes the*
23 *reservations required in section 674(b), allot to each State,*
24 *subject to section 677, an amount that bears the same ratio*
25 *to such remaining amount as the amount received by the*

1 *State for fiscal year 1981 under section 221 of the Economic*
2 *Opportunity Act of 1964 bore to the total amount received*
3 *by all States for fiscal year 1981 under such section, except*
4 *that no State shall receive less than $\frac{1}{4}$ of 1 percent of the*
5 *amount appropriated under section 674(a) for such fiscal*
6 *year.*

7 “(b) *ALLOTMENTS IN YEARS WITH GREATER AVAIL-*
8 *ABLE FUNDS.—*

9 “(1) *MINIMUM ALLOTMENTS.—Subject to para-*
10 *graphs (2) and (3), if the amount appropriated under*
11 *section 674(a) for a fiscal year that remains after the*
12 *Secretary makes the reservations required in section*
13 *674(b) exceeds \$345,000,000, the Secretary shall allot*
14 *to each State not less than $\frac{1}{2}$ of 1 percent of the*
15 *amount appropriated under section 674(a) for such*
16 *fiscal year.*

17 “(2) *MAINTENANCE OF FISCAL YEAR 1990 LEV-*
18 *ELS.—Paragraph (1) shall not apply with respect to*
19 *a fiscal year if the amount allotted under subsection*
20 *(a) to any State for that year is less than the amount*
21 *allotted under subsection (a) to such State for fiscal*
22 *year 1990.*

23 “(3) *MAXIMUM ALLOTMENTS.—The amount al-*
24 *lotted under paragraph (1) to a State shall be reduced*
25 *for a fiscal year, if necessary, so that the aggregate*

1 *amount allotted to such State under such paragraph*
2 *and subsection (a) does not exceed 140 percent of the*
3 *aggregate amount allotted to such State under the*
4 *corresponding provisions of this subtitle for the fiscal*
5 *year preceding the fiscal year for which a determina-*
6 *tion is made under this subsection.*

7 *“(c) ALLOTMENT OF ADDITIONAL FUNDS.—Notwith-*
8 *standing subsections (a) and (b), in any fiscal year in*
9 *which the amount appropriated under section 674(a) ex-*
10 *ceeds the amount appropriated under such section for fiscal*
11 *year 1999, such excess shall be allotted among the States*
12 *proportionately based on—*

13 *“(1) the number of public assistance recipients*
14 *in the respective States;*

15 *“(2) the number of unemployed individuals in*
16 *the respective States; and*

17 *“(3) the number of individuals with incomes*
18 *below the poverty line in the respective States.*

19 *“(d) PAYMENTS.—The Secretary shall make payments*
20 *to eligible States from the allotments made under this sec-*
21 *tion. The Secretary shall make payments for the grants in*
22 *accordance with section 6503(a) of title 31, United States*
23 *Code.*

24 *“(e) DEFINITION.—For purposes of this section, the*
25 *term ‘State’ does not include Guam, American Samoa, the*

1 *United States Virgin Islands, and the Commonwealth of the*
2 *Northern Mariana Islands.*

3 **“SEC. 675C. USES OF FUNDS.**

4 *“(a) GRANTS TO LOCAL ELIGIBLE ENTITIES AND*
5 *OTHER ORGANIZATIONS.—*

6 *“(1) IN GENERAL.—Not less than 90 percent of*
7 *the funds allotted to a State under section 675B shall*
8 *be used by the State to make grants for the purposes*
9 *described in section 672 to eligible entities.*

10 *“(2) OBLIGATIONAL AUTHORITY.—Funds distrib-*
11 *uted to eligible entities through grants made in ac-*
12 *cordance with paragraph (1) for a fiscal year shall be*
13 *available for obligation during that fiscal year and*
14 *the succeeding fiscal year, in accordance with para-*
15 *graph (3).*

16 *“(3) RECAPTURE AND REDISTRIBUTION OF UN-*
17 *OBLIGATED FUNDS.—*

18 *“(A) AMOUNT.—Beginning on October 1,*
19 *2000, a State may recapture and redistribute*
20 *funds distributed to an eligible entity through a*
21 *grant made under paragraph (1) that are unob-*
22 *ligated at the end of a fiscal year if such unobli-*
23 *gated funds exceed 20 percent of the amount so*
24 *distributed to such eligible entity for such fiscal*
25 *year.*

1 “(B) *REDISTRIBUTION.*—*In redistributing*
2 *funds recaptured in accordance with this para-*
3 *graph, States shall redistribute such funds to an*
4 *eligible entity, or require the original recipient of*
5 *the funds to redistribute the funds to a private,*
6 *nonprofit organization, located within the com-*
7 *munity served by the original recipient of the*
8 *funds, for activities consistent with the purposes*
9 *of this subtitle.*

10 “(b) *STATEWIDE ACTIVITIES.*—

11 “(1) *USE OF REMAINDER.*—*If a State uses less*
12 *than 100 percent of the State allotment to make*
13 *grants under subsection (a), the State shall use the re-*
14 *mainder of the allotment (subject to paragraph (2))*
15 *for—*

16 “(A) *providing training and technical as-*
17 *sistance to those entities in need of such training*
18 *and assistance;*

19 “(B) *coordinating State-operated programs*
20 *and services targeted to low-income children and*
21 *families with services provided by eligible enti-*
22 *ties and other organizations funded under this*
23 *subtitle, including detailing appropriate employ-*
24 *ees of State or local agencies to entities funded*

1 *under this subtitle, to ensure increased access to*
2 *services provided by such State or local agencies;*

3 “(C) *supporting statewide coordination and*
4 *communication among eligible entities;*

5 “(D) *analyzing the distribution of funds*
6 *made available under this subtitle within the*
7 *State to determine if such funds have been tar-*
8 *geted to the areas of greatest need;*

9 “(E) *supporting asset-building programs for*
10 *low-income individuals, such as programs sup-*
11 *porting individual development accounts;*

12 “(F) *supporting innovative programs and*
13 *activities conducted by community action agen-*
14 *cies or other neighborhood-based organizations to*
15 *eliminate poverty, promote self-sufficiency, and*
16 *promote community revitalization;*

17 “(G) *supporting other activities, consistent*
18 *with the purposes of this subtitle; and*

19 “(H) *State charity tax credits as described*
20 *in subsection (c).*

21 “(2) *ADMINISTRATIVE CAP.—No State may*
22 *spend more than the greater of \$55,000, or 5 percent,*
23 *of the State’s allotment received under section 675B*
24 *for administrative expenses, including monitoring ac-*
25 *tivities. Funds to be spent for such expenses shall be*

1 *taken from the portion of the State allotment that re-*
2 *remains after the State makes grants to eligible entities*
3 *under subsection (a). The cost of activities conducted*
4 *under paragraph (1)(A) shall not be considered to be*
5 *administrative expenses.*

6 “(c)(1) *Notwithstanding any other provision of law*
7 *and subject to paragraph (2), if there is in effect under*
8 *State law a charity tax credit, then the State may use for*
9 *any purpose the amount of the allotment that is not ex-*
10 *pende**d under subsections (a) and (b).*

11 “(2) *The aggregate amount a State may use under*
12 *paragraph (1) during a fiscal year shall not exceed 100 per-*
13 *cent of the revenue loss of the State during the fiscal year*
14 *that is attributable to the charity tax credit, as determined*
15 *by the Secretary of the Treasury without regard to any such*
16 *revenue loss occurring before January 1, 1999.*

17 “(3) *For purposes of this subsection:*

18 “(A) *CHARITY TAX CREDIT.—The term ‘charity*
19 *tax credit’ means a nonrefundable credit against*
20 *State income tax (or, in the case of a State which*
21 *does not impose an income tax, a comparable benefit)*
22 *which is allowable for contributions, in cash or in*
23 *kind, to qualified charities.*

24 “(B) *QUALIFIED CHARITY.—*

1 “(i) *IN GENERAL.*—*The term ‘qualified*
2 *charity’ means any organization—*

3 “(I) *which is—*

4 “(aa) *described in section*
5 *501(c)(3) of the Internal Revenue Code*
6 *of 1986 and exempt from tax under*
7 *section 501(a) of such Code;*

8 “(bb) *a community action agency*
9 *as defined in the Economic Oppor-*
10 *tunity Act of 1964; or*

11 “(cc) *a public housing agency as*
12 *defined in section 3(b)(6) of the United*
13 *States Housing Act of 1937 (42 U.S.C.*
14 *1437A(b)(6));*

15 “(II) *which is certified by the appro-*
16 *priate State authority as meeting the re-*
17 *quirements of clauses (iii) and (iv); and*

18 “(III) *if such organization is otherwise*
19 *required to file a return under section 6033*
20 *of such Code, which elects to treat the infor-*
21 *mation required to be furnished by clause*
22 *(v) as being specified in section 6033(b) of*
23 *such Code.*

1 “(i) *CERTAIN CONTRIBUTIONS TO COLLEC-*
2 *TION ORGANIZATIONS TREATED AS CONTRIBU-*
3 *TIONS TO QUALIFIED CHARITY.—*

4 “(I) *IN GENERAL.—A contribution to a*
5 *collection organization shall be treated as a*
6 *contribution to a qualified charity if the*
7 *donor designates in writing that the con-*
8 *tribution is for the qualified charity.*

9 “(II) *COLLECTION ORGANIZATION.—*
10 *The term ‘collection organization’ means an*
11 *organization described in section 501(c)(3)*
12 *of such Code and exempt from tax under*
13 *section 501(a) of such Code—*

14 “(aa) *which solicits and collects*
15 *gifts and grants which, by agreement,*
16 *are distributed to qualified charities*
17 *described in clause (i);*

18 “(bb) *which distributes to quali-*
19 *fied charities described in clause (i) at*
20 *least 90 percent of the gifts and grants*
21 *it receives that are designated for such*
22 *qualified charities; and*

23 “(cc) *which meets the require-*
24 *ments of clause (vi).*

1 “(iii) CHARITY MUST PRIMARILY ASSIST
2 POOR INDIVIDUALS.—

3 “(I) IN GENERAL.—An organization
4 meets the requirements of this clause only if
5 the appropriate State authority reasonably
6 expects that the predominant activity of
7 such organization will be the provision of
8 direct services within the United States to
9 individuals and families whose annual in-
10 comes generally do not exceed 185 percent of
11 the official poverty line (as defined by the
12 Office of Management and Budget) in order
13 to prevent or alleviate poverty among such
14 individuals and families.

15 “(II) NO RECORDKEEPING IN CERTAIN
16 CASES.—An organization shall not be re-
17 quired to establish or maintain records with
18 respect to the incomes of individuals and
19 families for purposes of subclause (I) if such
20 individuals or families are members of
21 groups which are generally recognized as
22 including substantially only individuals
23 and families described in subclause (I).

24 “(III) FOOD AID AND HOMELESS
25 SHELTERS.—Except as otherwise provided

1 by the appropriate State authority, for pur-
2 poses of subclause (I), services to individ-
3 uals in the form of—

4 “(aa) donations of food or meals;

5 or

6 “(bb) temporary shelter to home-
7 less individuals;

8 shall be treated as provided to individuals
9 described in subclause (I) if the location
10 and operation of such services are such that
11 the service provider may reasonably con-
12 clude that the beneficiaries of such services
13 are predominantly individuals described in
14 subclause (I).

15 “(iv) *MINIMUM EXPENSE REQUIREMENT.*—

16 “(I) *IN GENERAL.*—An organization
17 meets the requirements of this clause only if
18 the appropriate State authority reasonably
19 expects that the annual poverty program ex-
20 penses of such organization will not be less
21 than 75 percent of the annual aggregate ex-
22 penses of such organization.

23 “(II) *POVERTY PROGRAM EXPENSE.*—

24 For purposes of subclause (I)—

1 “(aa) *IN GENERAL.*—*The term*
2 *‘poverty program expense’ means any*
3 *expense in providing program services*
4 *referred to in clause (iii).*

5 “(bb) *EXCEPTIONS.*—*Such term*
6 *shall not include any management or*
7 *general expense, any expense for the*
8 *purpose of influencing legislation (as*
9 *defined in section 4911(d) of the Inter-*
10 *nal Revenue Code of 1986), any ex-*
11 *penditure for the purpose of fundraising,*
12 *any expense for a legal service pro-*
13 *vided on behalf of any individual re-*
14 *ferred to in clause (iii), any expense*
15 *for providing tuition assistance relat-*
16 *ing to compulsory school attendance,*
17 *and any expense which consists of a*
18 *payment to an affiliate of the organi-*
19 *zation.*

20 “(v) *REPORTING REQUIREMENT.*—*The in-*
21 *formation required to be furnished under this*
22 *clause is—*

23 “(i) *the percentages determined by di-*
24 *viding the following categories of the orga-*
25 *nization’s expenses for the year by its total*

1 *expenses for the year: program services,*
2 *management expenses, general expenses,*
3 *fundraising expenses, and payments to af-*
4 *filiates; and*

5 “(ii) *the category or categories (includ-*
6 *ing food, shelter, education, substance abuse,*
7 *job training, or otherwise) of services which*
8 *constitute its predominant activities.*

9 “(vi) *ADDITIONAL REQUIREMENTS FOR COL-*
10 *LECTION ORGANIZATIONS.—The requirements of*
11 *this clause are met if the organization—*

12 “(I) *maintains separate accounting for*
13 *revenues and expenses; and*

14 “(II) *makes available to the public its*
15 *administrative and fundraising costs and*
16 *information as to the organizations receiv-*
17 *ing funds from it and the amount of such*
18 *funds.*

19 “(vii) *SPECIAL RULE FOR STATES REQUIR-*
20 *ING TAX UNIFORMITY.—In the case of a State—*

21 “(I) *which has a constitutional re-*
22 *quirement of tax uniformity; and*

23 “(II) *which, as of December 31, 1997,*
24 *imposed a tax on personal income with—*

1 “(aa) a single flat rate applicable
2 to all earned and unearned income (ex-
3 cept insofar as any amount is not
4 taxed pursuant to tax forgiveness pro-
5 visions); and

6 “(bb) no generally available ex-
7 emptions or deductions to individuals;
8 the requirement of paragraph (2) shall be treated
9 as met if the amount of the credit is limited to
10 a uniform percentage (but not greater than 25
11 percent) of State personal income tax liability
12 (determined without regard to credits).

13 **“SEC. 676. APPLICATION AND PLAN.**

14 “(a) *DESIGNATION OF LEAD AGENCY.*—

15 “(1) *DESIGNATION.*—The chief executive officer
16 of a State desiring to receive an allotment under this
17 subtitle shall designate, in an application submitted
18 to the Secretary under subsection (b), an appropriate
19 State agency that complies with the requirements of
20 paragraph (2) to act as a lead agency for purposes
21 of carrying out State activities under this subtitle.

22 “(2) *DUTIES.*—The lead agency shall—

23 “(A) develop the State plan to be submitted
24 to the Secretary under subsection (b);

1 “(B) in conjunction with the development of
2 the State plan as required under subsection (b),
3 hold at least 1 hearing in the State with suffi-
4 cient time and statewide distribution of notice of
5 such hearing, to provide to the public an oppor-
6 tunity to comment on the proposed use and dis-
7 tribution of funds to be provided through the al-
8 lotment for the period covered by the State plan;
9 and

10 “(C) conduct reviews of eligible entities
11 under section 678B.

12 “(3) *LEGISLATIVE HEARING.*—The State shall
13 hold at least 1 legislative hearing every 3 years in
14 conjunction with the development of the State plan.

15 “(b) *STATE APPLICATION AND PLAN.*—Beginning with
16 fiscal year 2000, to be eligible to receive an allotment under
17 this subtitle, a State shall prepare and submit to the Sec-
18 retary an application and State plan covering a period of
19 not less than 1 fiscal year and not more than 2 fiscal years.
20 The plan shall be submitted not later than 30 days prior
21 to the beginning of the first fiscal year covered by the plan,
22 and shall contain such information as the Secretary shall
23 require, including—

24 “(1) an assurance that funds made available
25 through the allotment will be used to support activi-

1 *ties that are designed to assist low-income families*
2 *and individuals, including families and individuals*
3 *receiving assistance under title IV of the Social Secu-*
4 *rity Act, homeless families and individuals, migrant*
5 *or seasonal farmworkers, and elderly low-income indi-*
6 *viduals and families, and a description of how such*
7 *activities will enable the families and individuals—*

8 *“(A) to remove obstacles and solve problems*
9 *that block the achievement of self-sufficiency*
10 *(particularly for families and individuals who*
11 *are attempting to transition off a State program*
12 *carried out under title IV of the Social Security*
13 *Act);*

14 *“(B) to secure and retain meaningful em-*
15 *ployment;*

16 *“(C) to attain an adequate education with*
17 *particular attention toward improving literacy*
18 *skills of the low-income families in the commu-*
19 *nity, which may include family literacy initia-*
20 *tives;*

21 *“(D) to make better use of available income;*

22 *“(E) to obtain and maintain adequate*
23 *housing and a suitable living environment;*

1 “(F) to obtain emergency assistance through
2 loans, grants, or other means to meet immediate
3 and urgent individual and family needs;

4 “(G) to achieve greater participation in the
5 affairs of the community, including activities
6 that strengthen and improve the relationship
7 with local law enforcement agencies, which may
8 include activities such as neighborhood or com-
9 munity policing efforts;

10 “(H) to address the needs of youth in low-
11 income communities through youth development
12 programs that support the primary role of the
13 family, give priority to prevention of youth prob-
14 lems and crime, promote increased community
15 coordination and collaboration in meeting the
16 needs of youth, and support development and ex-
17 pansion of innovative community-based youth
18 development programs, which may include after-
19 school child care programs; and

20 “(I) to make more effective use of, and to
21 coordinate with, other programs related to the
22 purposes of this subtitle (including State welfare
23 reform efforts);

24 “(2) a description of how the State intends to
25 use discretionary funds made available from the re-

1 *mainder of the allotment described in section 675C(b)*
2 *in accordance with this subtitle, including a descrip-*
3 *tion of how the State will support innovative commu-*
4 *nity and neighborhood-based initiatives related to the*
5 *purposes of this subtitle;*

6 *“(3) based on information provided by eligible*
7 *entities in the State, a description of—*

8 *“(A) the service delivery system, for services*
9 *provided or coordinated with funds made avail-*
10 *able through the allotment, targeted to low-in-*
11 *come individuals and families in communities*
12 *within the State;*

13 *“(B) a description of how linkages will be*
14 *developed to fill identified gaps in the services,*
15 *through the provision of information, referrals,*
16 *case management, and followup consultations;*

17 *“(C) a description of how funds made avail-*
18 *able through the allotment will be coordinated*
19 *with other public and private resources; and*

20 *“(D) a description of how the funds will be*
21 *used to support innovative community and*
22 *neighborhood-based initiatives related to the pur-*
23 *poses of this subtitle which may include father-*
24 *hood and other initiatives with the goal of*

1 *strengthening families and encouraging parental*
2 *responsibility;*

3 “(4) *an assurance that local eligible entities in*
4 *the State will provide, on an emergency basis, for the*
5 *provision of such supplies and services, nutritious*
6 *foods, and related services, as may be necessary to*
7 *counteract conditions of starvation and malnutrition*
8 *among low-income individuals;*

9 “(5) *an assurance that the State and the local el-*
10 *igible entities in the State will coordinate, and estab-*
11 *lish linkages between, governmental and other social*
12 *services programs to assure the effective delivery of*
13 *such services to low-income individuals and to avoid*
14 *duplication of such services (including a description*
15 *of how the State and the local eligible entities will co-*
16 *ordinate with State and local workforce investment*
17 *systems in the provision of employment and training*
18 *services in the State and in local communities);*

19 “(6) *an assurance that the State will ensure co-*
20 *ordination between antipoverty programs in each*
21 *community, and ensure, where appropriate, that*
22 *emergency energy crisis intervention programs under*
23 *title XXVI (relating to low-income home energy as-*
24 *sistance) are conducted in such community;*

1 “(7) an assurance that the State will permit and
2 cooperate with Federal investigations undertaken in
3 accordance with section 678D;

4 “(8) an assurance that any eligible entity that
5 received funding in the previous fiscal year under this
6 subtitle will not have its funding terminated under
7 this subtitle, or reduced below the proportional share
8 of funding the entity received in the previous fiscal
9 year unless, after providing notice and an oppor-
10 tunity for a hearing on the record, the State deter-
11 mines that cause exists for such termination or such
12 reduction, subject to review by the Secretary as pro-
13 vided in section 678C(b);

14 “(9) an assurance that local eligible entities in
15 the State will, to the maximum extent possible, co-
16 ordinate programs with and form partnerships with
17 other organizations serving low-income residents of
18 the communities and members of the groups served by
19 the State, including faith-based organizations, chari-
20 table groups, and community organizations;

21 “(10) an assurance that the State will require
22 each eligible entity to establish procedures under
23 which a low-income individual, community organiza-
24 tion, or faith-based organization, or representative of
25 low-income individuals that considers its organiza-

1 *tion, or low-income individuals, to be inadequately*
2 *represented on the board (or other mechanism) of the*
3 *eligible entity to petition for adequate representation;*

4 *“(11) an assurance that the State will secure*
5 *from each eligible entity, as a condition to receipt of*
6 *funding by the entity under this subtitle for a pro-*
7 *gram, a community action plan (which shall be sub-*
8 *mitted to the Secretary, at the request of the Sec-*
9 *retary, with the State plan) that includes a commu-*
10 *nity-needs assessment for the community served,*
11 *which may be coordinated with community-needs as-*
12 *sessments conducted for other programs;*

13 *“(12) an assurance that the State and all eligible*
14 *entities in the State will, not later than fiscal year*
15 *2001, participate in the Results Oriented Manage-*
16 *ment and Accountability System, another perform-*
17 *ance measure system established pursuant to section*
18 *678E(b), or an alternative system for measuring per-*
19 *formance and results that meets the requirements of*
20 *that section, and a description of outcome measures*
21 *to be used to measure eligible entity performance in*
22 *promoting self-sufficiency, family stability, and com-*
23 *munity revitalization; and*

24 *“(13) information describing how the State will*
25 *carry out the assurances described in this subsection.*

1 “(c) *FUNDING TERMINATION OR REDUCTIONS.*—For
2 *purposes of making a determination in accordance with*
3 *subsection (b)(8) with respect to—*

4 “(1) *a funding reduction, the term ‘cause’ in-*
5 *cludes—*

6 “(A) *a statewide redistribution of funds*
7 *provided under this subtitle to respond to—*

8 “(i) *the results of the most recently*
9 *available census or other appropriate data;*

10 “(ii) *the designation of a new eligible*
11 *entity; or*

12 “(iii) *severe economic dislocation; or*

13 “(B) *the failure of an eligible entity to com-*
14 *ply with the terms of an agreement to provide*
15 *services under this subtitle; and*

16 “(2) *a termination, the term ‘cause’ includes the*
17 *material failure of an eligible entity to comply with*
18 *the terms of such an agreement and the State plan to*
19 *provide services under this subtitle or the consistent*
20 *failure of the entity to achieve performance measures*
21 *as determined by the State.*

22 “(d) *PROCEDURES AND INFORMATION.*—The Secretary
23 *may prescribe procedures only for the purpose of assessing*
24 *the effectiveness of eligible entities in carrying out the pur-*
25 *poses of this subtitle.*

1 “(e) *REVISIONS AND INSPECTION.*—

2 “(1) *REVISIONS.*—*The chief executive officer of*
3 *each State may revise any plan prepared under this*
4 *section and shall submit the revised plan to the Sec-*
5 *retary.*

6 “(2) *PUBLIC INSPECTION.*—*Each plan or revised*
7 *plan prepared under this section shall be made avail-*
8 *able for public inspection within the State in such a*
9 *manner as will facilitate review of, and comment on,*
10 *the plan.*

11 **“SEC. 676A. DESIGNATION AND REDESIGNATION OF ELIGI-**
12 ***BLE ENTITIES IN UNSERVED AREAS.***

13 “(a) *QUALIFIED ORGANIZATION IN OR NEAR AREA.*—

14 “(1) *IN GENERAL.*—*If any geographic area of a*
15 *State is not, or ceases to be, served by an eligible en-*
16 *tity under this subtitle, and if the chief executive offi-*
17 *cer of the State decides to serve such area, the chief*
18 *executive officer may solicit applications from, and*
19 *designate as an eligible entity—*

20 “(A) *a private nonprofit eligible entity lo-*
21 *cated in an area contiguous to or within reason-*
22 *able proximity of the unserved area that is al-*
23 *ready providing related services in the unserved*
24 *area; or*

1 “(B) a private nonprofit organization that
2 is geographically located in the unserved area
3 that is capable of providing a broad range of
4 services designed to eliminate poverty and foster
5 self-sufficiency and that meets the requirements
6 of this subtitle.

7 “(2) *REQUIREMENT.*—In order to serve as the el-
8 igible entity for the area, an entity described in para-
9 graph (1)(B) shall agree to add additional members
10 to the board of the entity to ensure adequate represen-
11 tation—

12 “(A) in each of the 3 required categories de-
13 scribed in subparagraphs (A), (B), and (C) of
14 section 676B(a)(2), by members that reside in
15 the community comprised by the unserved area;
16 and

17 “(B) in the category described in section
18 676B(a)(2), by members that reside in the neigh-
19 borhood served.

20 “(b) *SPECIAL CONSIDERATION.*—In designating an el-
21 igible entity under subsection (a), the chief executive officer
22 shall grant the designation to an organization of dem-
23 onstrated effectiveness in meeting the goals and purposes
24 of this subtitle and may give priority, in granting the des-
25 ignation, to local eligible entities that are already providing

1 *related services in the unserved area, consistent with the*
 2 *needs identified by a community-needs assessment.*

3 “(c) *NO QUALIFIED ORGANIZATION IN OR NEAR*
 4 *AREA.—If no private, nonprofit organization is identified*
 5 *or determined to be qualified under subsection (a) to serve*
 6 *the unserved area as an eligible entity the chief executive*
 7 *officer may designate an appropriate political subdivision*
 8 *of the State to serve as an eligible entity for the area. In*
 9 *order to serve as the eligible entity for that area, the politi-*
 10 *cal subdivision shall have a board or other mechanism as*
 11 *required in section 676B(b).*

12 **“SEC. 676B. TRIPARTITE BOARDS.**

13 “(a) *PRIVATE NONPROFIT ENTITIES.—*

14 “(1) *BOARD.—In order for a private, nonprofit*
 15 *entity to be considered to be an eligible entity for pur-*
 16 *poses of section 673(1), the entity shall administer the*
 17 *community services block grant program through a*
 18 *tripartite board described in paragraph (2) that fully*
 19 *participates in the development and implementation*
 20 *of the program to serve low-income communities or*
 21 *groups.*

22 “(2) *SELECTION AND COMPOSITION OF BOARD.—*
 23 *The members of the board referred to in paragraph*
 24 *(1) shall be selected by the entity and the board shall*
 25 *be composed so as to assure that—*

1 “(A) $\frac{1}{3}$ of the members of the board are
2 elected public officials, holding office on the date
3 of selection, or their representatives, except that
4 if the number of elected officials reasonably
5 available and willing to serve on the board is less
6 than $\frac{1}{3}$ of the membership of the board, member-
7 ship on the board of appointive public officials
8 or their representatives may be counted in meet-
9 ing such $\frac{1}{3}$ requirement;

10 “(B) not fewer than $\frac{1}{3}$ of the members are
11 persons chosen in accordance with democratic se-
12 lection procedures adequate to assure that these
13 members are representative of low-income indi-
14 viduals and families in the neighborhood served;

15 “(C) the remainder of the members are offi-
16 cials or members of business, industry, labor, re-
17 ligious, law enforcement, education, or other
18 major groups and interests in the community
19 served; and

20 “(D) each representative of low-income in-
21 dividuals and families selected to represent a
22 specific neighborhood within a community under
23 subparagraph (B) resides in the neighborhood
24 represented by the member.

1 “(b) *PUBLIC ORGANIZATIONS.*—*In order for a public*
2 *organization to be considered to be an eligible entity for*
3 *purposes of section 673(1), the entity shall administer the*
4 *community services block grant program through—*

5 “(1) *a tripartite board, which shall have mem-*
6 *bers selected by the organization and shall be com-*
7 *posed so as to assure that not fewer than $\frac{1}{3}$ of the*
8 *members are persons chosen in accordance with demo-*
9 *cratic selection procedures adequate to assure that*
10 *these members—*

11 “(A) *are representative of low-income indi-*
12 *viduals and families in the neighborhood served;*

13 “(B) *reside in the neighborhood served; and*

14 “(C) *are able to participate actively in the*
15 *planning and implementation of programs fund-*
16 *ed under this subtitle; or*

17 “(2) *another mechanism specified by the State to*
18 *assure decisionmaking and participation by low-in-*
19 *come individuals in the planning, administration,*
20 *and evaluation of programs funded under this sub-*
21 *title.*

22 **“SEC. 677. PAYMENTS TO INDIAN TRIBES.**

23 “(a) *RESERVATION.*—*If, with respect to any State, the*
24 *Secretary—*

1 “(1) receives a request from the governing body
2 of an Indian tribe or tribal organization within the
3 State that assistance under this subtitle be made di-
4 rectly to such tribe or organization; and

5 “(2) determines that the members of such tribe or
6 tribal organization would be better served by means
7 of grants made directly to provide benefits under this
8 subtitle,

9 the Secretary shall reserve from amounts that would other-
10 wise be allotted to such State under section 675B for the
11 fiscal year the amount determined under subsection (b).

12 “(b) *DETERMINATION OF RESERVED AMOUNT.*—The
13 Secretary shall reserve for the purpose of subsection (a) from
14 amounts that would otherwise be allotted to such State, not
15 less than 100 percent of an amount that bears the same
16 ratio to the State allotment for the fiscal year involved as
17 the population of all eligible Indians for whom a determina-
18 tion has been made under subsection (a) bears to the popu-
19 lation of all individuals eligible for assistance under this
20 subtitle in such State.

21 “(c) *AWARDS.*—The sums reserved by the Secretary on
22 the basis of a determination made under subsection (a) shall
23 be made available by grant to the Indian tribe or tribal
24 organization serving the individuals for whom such a deter-
25 mination has been made.

1 “(d) *PLAN.*—*In order for an Indian tribe or tribal or-*
2 *ganization to be eligible for a grant award for a fiscal year*
3 *under this section, the tribe or organization shall submit*
4 *to the Secretary a plan for such fiscal year that meets such*
5 *criteria as the Secretary may prescribe by regulation.*

6 “(e) *DEFINITIONS.*—*In this section:*

7 “(1) *INDIAN TRIBE; TRIBAL ORGANIZATION.*—*The*
8 *terms ‘Indian tribe’ and ‘tribal organization’ mean a*
9 *tribe, band, or other organized group of Indians rec-*
10 *ognized in the State in which the tribe, band, or*
11 *group resides, or considered by the Secretary of the*
12 *Interior, to be an Indian tribe or an Indian organi-*
13 *zation for any purpose.*

14 “(2) *INDIAN.*—*The term ‘Indian’ means a mem-*
15 *ber of an Indian tribe or of a tribal organization.*

16 **“SEC. 678. OFFICE OF COMMUNITY SERVICES.**

17 “(a) *OFFICE.*—*The Secretary shall carry out the func-*
18 *tions of this subtitle through an Office of Community Serv-*
19 *ices, which shall be established in the Department of Health*
20 *and Human Services. The Office shall be headed by a Direc-*
21 *tor.*

22 “(b) *GRANTS, CONTRACTS, COOPERATIVE AGREE-*
23 *MENTS.*—*The Secretary shall carry out functions of this*
24 *subtitle through grants, contracts, or cooperative agree-*
25 *ments.*

1 **“SEC. 678A. TRAINING AND TECHNICAL ASSISTANCE.**

2 “(a) *ACTIVITIES.*—*The Secretary shall use the*
3 *amounts reserved in section 674(b)(2) for training, tech-*
4 *nical assistance, planning, evaluation, performance meas-*
5 *urement, corrective action activities (to correct pro-*
6 *grammatic deficiencies of eligible entities), reporting, and*
7 *data collection activities related to programs carried out*
8 *under this subtitle, and in accordance with subsection (c).*
9 *Training and technical assistance activities may be carried*
10 *out by the Secretary through grants, contracts, or coopera-*
11 *tive agreements with eligible entities or with organizations*
12 *or associations whose membership is composed of eligible*
13 *entities or agencies that administer programs for eligible*
14 *entities.*

15 “(b) *PROCESS.*—*The process for determining the train-*
16 *ing and technical assistance to be carried out under this*
17 *section shall—*

18 “(1) *ensure that the needs of eligible entities and*
19 *programs relating to improving program quality, in-*
20 *cluding financial management practices, are ad-*
21 *dressed to the maximum extent feasible; and*

22 “(2) *incorporate mechanisms to ensure respon-*
23 *siveness to local needs, including an ongoing proce-*
24 *dure for obtaining input from the national and State*
25 *network of eligible entities.*

1 “(c) *DISTRIBUTION REQUIREMENT.*—Of the amounts
2 reserved under section 674(b)(2) for activities to be carried
3 out under this section, not less than $\frac{1}{2}$ of such amounts
4 shall be distributed directly to local eligible entities or to
5 statewide organizations whose membership is composed of
6 eligible entities for the purpose of improving program qual-
7 ity (including financial management practices), manage-
8 ment information and reporting systems, measurement of
9 program results, and for the purpose of ensuring responsive-
10 ness to local neighborhood needs.

11 “**SEC. 678B. MONITORING OF ELIGIBLE ENTITIES.**

12 “(a) *IN GENERAL.*—In order to determine whether eli-
13 gible entities meet the performance goals, administrative
14 standards, financial management requirements, and other
15 requirements of a State, the State shall conduct the follow-
16 ing reviews of eligible entities:

17 “(1) A full onsite review of each such entity at
18 least once during each 3-year period.

19 “(2) An onsite review of each newly designated
20 entity immediately after the completion of the first
21 year in which such entity receives funds through the
22 community services block grant program.

23 “(3) Followup reviews including prompt return
24 visits to eligible entities, and their programs, that fail

1 to meet the goals, standards, and requirements estab-
2 lished by the State.

3 “(4) Other reviews as appropriate, including re-
4 views of entities with programs that have had other
5 Federal, State, or local grants terminated for cause.

6 “(b) *REQUESTS*.—The State may request training and
7 technical assistance from the Secretary as needed to comply
8 with the requirements of this section.

9 “(c) *EVALUATIONS BY THE SECRETARY*.—The Sec-
10 retary shall conduct in several States in each fiscal year
11 evaluations and investigations of the use of funds received
12 by the States under this subtitle in order to evaluate compli-
13 ance with the provisions of this subtitle, and especially with
14 respect to compliance with subsection (b) of section 676. A
15 report of such evaluations, together with recommendations
16 of improvements designed to enhance the benefit and impact
17 to people in need, shall be sent to each State evaluated.
18 Upon receiving the report the State shall submit a plan
19 of action in response to the recommendations contained in
20 the report. The results of the evaluations shall be submitted
21 annually to the Chairman of the Committee on Education
22 and the Workforce of the House of Representatives and the
23 Chairman of the Committee on Labor and Human Re-
24 sources of the Senate as part of the report submitted by
25 the Secretary in accordance with section 678E(b)(2).

1 **“SEC. 678C. CORRECTIVE ACTION; TERMINATION AND RE-**
2 **DUCTION OF FUNDING.**

3 *“(a) DETERMINATION.—If the State determines, on the*
4 *basis of a review pursuant to subsection 678B, that an eligi-*
5 *ble entity materially fails to comply with the terms of an*
6 *agreement, or the State plan, to provide services under this*
7 *subtitle or to meet appropriate standards, goals, and other*
8 *requirements established by the State (including perform-*
9 *ance objectives), the State shall—*

10 *“(1) inform the entity of the deficiency to be cor-*
11 *rected;*

12 *“(2) require the entity to correct the deficiency;*

13 *“(3)(A) offer training and technical assistance, if*
14 *appropriate, to help correct the deficiency, and pre-*
15 *pare and submit to the Secretary a report describing*
16 *the training and technical assistance offered; or*

17 *“(B) if the State determines that such training*
18 *and technical assistance are not appropriate, prepare*
19 *and submit to the Secretary a report stating the rea-*
20 *sons for the determination;*

21 *“(4)(A) at the discretion of the State (taking into*
22 *account the seriousness of the deficiency and the time*
23 *reasonably required to correct the deficiency), allow*
24 *the entity to develop and implement, within 60 days*
25 *after being informed of the deficiency, a quality im-*
26 *provement plan to correct such deficiency within a*

1 *reasonable period of time, as determined by the State;*
2 *and*

3 “(B) *not later than 30 days after receiving from*
4 *an eligible entity a proposed quality improvement*
5 *plan pursuant to subparagraph (A), either approve*
6 *such proposed plan or specify the reasons why the*
7 *proposed plan cannot be approved; and*

8 “(5) *after providing adequate notice and an op-*
9 *portunity for a hearing, initiate proceedings to termi-*
10 *nate the designation of or reduce the funding under*
11 *this subtitle of the eligible entity unless the entity cor-*
12 *rects the deficiency.*

13 “(b) *REVIEW.—A determination to terminate the des-*
14 *ignation or reduce the funding of an eligible entity is re-*
15 *viewable by the Secretary. The Secretary shall, upon re-*
16 *quest, review such a determination. The review shall be*
17 *completed not later than 120 days after the determination*
18 *to terminate the designation or reduce the funding. If the*
19 *review is not completed within 120 days, the determination*
20 *of the State shall become final at the end of the 120th day.*

21 “(c) *DIRECT ASSISTANCE.—Whenever a State violates*
22 *the assurances contained in section 676(b)(8) and termi-*
23 *nates or reduces the funding of an eligible entity prior to*
24 *the completion of the State’s hearing and the Secretary’s*
25 *review as required in subsection (b), the Secretary shall as-*

1 *sume responsibility for providing financial assistance to the*
2 *eligible entity affected until the violation is corrected. In*
3 *such case, the allotment for the State shall be reduced by*
4 *an amount equal to the funds provided under this sub-*
5 *section to such eligible entity.*

6 **“SEC. 678D. FISCAL CONTROLS, AUDITS, AND WITHHOLD-**
7 **ING.**

8 *“(a) FISCAL CONTROLS, PROCEDURES, AUDITS, AND*
9 *INSPECTIONS.—*

10 *“(1) IN GENERAL.—A State that receives funds*
11 *under this subtitle shall—*

12 *“(A) establish fiscal control and fund ac-*
13 *counting procedures necessary to assure the*
14 *proper disbursement of and accounting for Federal*
15 *funds paid to the State under this subtitle, in-*
16 *cluding procedures for monitoring the funds pro-*
17 *vided under this subtitle;*

18 *“(B) ensure that cost and accounting stand-*
19 *ards of the Office of Management and Budget*
20 *apply to a recipient of funds under this subtitle;*

21 *“(C) prepare, at least every year in accord-*
22 *ance with paragraph (2) an audit of the expend-*
23 *itures of the State of amounts received under this*
24 *subtitle and amounts transferred to carry out the*
25 *purposes of this subtitle; and*

1 “(D) make appropriate books, documents,
2 papers, and records available to the Secretary
3 and the Comptroller General of the United
4 States, or any of their duly authorized represent-
5 atives, for examination, copying, or mechanical
6 reproduction on or off the premises of the appro-
7 priate entity upon a reasonable request for the
8 items.

9 “(2) AUDITS.—Each audit required by sub-
10 section (a)(1)(C) shall be conducted by an entity inde-
11 pendent of any agency administering activities or
12 services carried out under this subtitle and shall be
13 conducted in accordance with generally accepted ac-
14 counting principles. Within 30 days after the comple-
15 tion of each such audit in a State, the chief executive
16 officer of the State shall submit a copy of such audit
17 to any eligible entity that was the subject of the audit
18 at no charge, to the legislature of the State, and to
19 the Secretary.

20 “(3) REPAYMENTS.—The State shall repay to the
21 United States amounts found not to have been ex-
22 pended in accordance with this subtitle or the Sec-
23 retary may offset such amounts against any other
24 amount to which the State is or may become entitled
25 under this subtitle.

1 “(b) *WITHHOLDING.*—

2 “(1) *IN GENERAL.*—*The Secretary shall, after*
3 *providing adequate notice and an opportunity for a*
4 *hearing conducted within the affected State, withhold*
5 *funds from any State that does not utilize the State*
6 *allotment substantially in accordance with the provi-*
7 *sions of this subtitle, including the assurances such*
8 *State provided under section 676.*

9 “(2) *RESPONSE TO COMPLAINTS.*—*The Secretary*
10 *shall respond in an expeditious and speedy manner*
11 *to complaints of a substantial or serious nature that*
12 *a State has failed to use funds in accordance with the*
13 *provisions of this subtitle, including the assurances*
14 *provided by the State under section 676. For purposes*
15 *of this paragraph, a complaint of a failure to meet*
16 *any 1 of the assurances provided under section 676*
17 *that constitutes disregarding that assurance shall be*
18 *considered to be a complaint of a serious nature.*

19 “(3) *INVESTIGATIONS.*—*Whenever the Secretary*
20 *determines that there is a pattern of complaints of*
21 *failures described in paragraph (2) from any State in*
22 *any fiscal year, the Secretary shall conduct an inves-*
23 *tigation of the use of funds received under this subtitle*
24 *by such State in order to ensure compliance with the*
25 *provisions of this subtitle.*

1 **“SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIRE-**
2 **MENTS.**

3 *“(a) STATE ACCOUNTABILITY AND REPORTING RE-*
4 *QUIREMENTS.—*

5 *“(1) PERFORMANCE MEASUREMENT.—*

6 *“(A) IN GENERAL.—By October 1, 2001,*
7 *each State that receives funds under this subtitle*
8 *shall participate, and shall ensure that all eligi-*
9 *ble entities in the State participate, in a per-*
10 *formance measurement system, which may be a*
11 *performance measurement system established by*
12 *the Secretary pursuant to subsection (b), or an*
13 *alternative system that meets the requirements of*
14 *subsection (b).*

15 *“(B) LOCAL AGENCIES.—The State may*
16 *elect to have local agencies who are subcontract-*
17 *ors of the eligible entities under this subtitle*
18 *participate in the performance measurement sys-*
19 *tem. If the State makes that election, references*
20 *in this section to eligible entities shall be consid-*
21 *ered to include the local agencies.*

22 *“(2) ANNUAL REPORT.—Each State shall annu-*
23 *ally prepare and submit to the Secretary a report on*
24 *the measured performance of the State and the eligible*
25 *entities in the State. Each State shall also include in*
26 *the report an accounting of the expenditure of funds*

1 *received by the State through the community services*
2 *block grant program, including an accounting of*
3 *funds spent on indirect services or administrative*
4 *costs by the State and the eligible entities, and funds*
5 *spent by eligible entities on the direct delivery of local*
6 *services, and shall include information on the number*
7 *of and characteristics of clients served under this sub-*
8 *title in the State, based on data collected from the eli-*
9 *gible entities. The State shall also include in the re-*
10 *port a summary describing the training and technical*
11 *assistance offered by the State under section*
12 *678C(a)(3) during the year covered by the report.*

13 “(b) *SECRETARY’S ACCOUNTABILITY AND REPORTING*
14 *REQUIREMENTS.—*

15 “(1) *PERFORMANCE MEASUREMENT.—The Sec-*
16 *retary, in collaboration with the States and with eli-*
17 *gible entities throughout the Nation, shall facilitate*
18 *the development of 1 or more model performance*
19 *measurement systems, which may be used by the*
20 *States and by eligible entities to measure their per-*
21 *formance in carrying out the requirements of this*
22 *subtitle and in achieving the goals of their commu-*
23 *nity action plans. The Secretary shall provide tech-*
24 *nical assistance, including support for the enhance-*
25 *ment of electronic data systems, to States and to eligi-*

1 *ble entities to enhance their capability to collect and*
2 *report data for such a system and to aid in their par-*
3 *ticipation in such a system.*

4 *“(2) REPORTING REQUIREMENTS.—At the end of*
5 *each fiscal year beginning after September 30, 1999,*
6 *the Secretary shall, directly or by grant or contract,*
7 *prepare a report containing—*

8 *“(A) a summary of the planned use of funds*
9 *by each State, and the eligible entities in the*
10 *State, under the community services block grant*
11 *program, as contained in each State plan sub-*
12 *mitted pursuant to section 676;*

13 *“(B) a description of how funds were actu-*
14 *ally spent by the State and eligible entities in*
15 *the State, including a breakdown of funds spent*
16 *on indirect services or administrative costs and*
17 *on the direct delivery of local services by eligible*
18 *entities;*

19 *“(C) information on the number of entities*
20 *eligible for funds under this subtitle, the number*
21 *of low-income persons served under this subtitle,*
22 *and such demographic data on the low-income*
23 *populations served by eligible entities as is deter-*
24 *mined by the Secretary to be feasible;*

1 “(D) a comparison of the planned uses of
2 funds for each State and the actual uses of the
3 funds;

4 “(E) a summary of each State’s perform-
5 ance results, and the results for the eligible enti-
6 ties, as collected and submitted by the States in
7 accordance with subsection (a)(2); and

8 “(F) any additional information that the
9 Secretary considers to be appropriate to carry
10 out this subtitle, if the Secretary informs the
11 States of the need for such additional informa-
12 tion and allows a reasonable period of time prior
13 to the start of the fiscal year for the States to col-
14 lect and provide the information.

15 “(3) SUBMISSION.—The Secretary shall submit
16 to the Committee on Education and the Workforce of
17 the House of Representatives and the Committee on
18 Labor and Human Resources of the Senate the report
19 described in paragraph (2), and any comments the
20 Secretary may have with respect to such report. The
21 report shall include definitions of direct, indirect, and
22 administrative costs used by the Department of
23 Health and Human Services for programs funded
24 under this subtitle.

1 “(4) *COSTS.*—*Of the funds reserved under section*
2 *674(b)(3), not more than \$350,000 shall be available*
3 *to carry out the reporting requirements contained in*
4 *paragraph (2) and the provision of technical assist-*
5 *ance described in paragraph (1).*

6 **“SEC. 678F. LIMITATIONS ON USE OF FUNDS.**

7 “(a) *CONSTRUCTION OF FACILITIES.*—

8 “(1) *LIMITATIONS.*—*Except as provided in para-*
9 *graph (2), grants made under this subtitle (other than*
10 *amounts reserved under section 674(b)(3)) may not be*
11 *used by the State, or by any other person with which*
12 *the State makes arrangements to carry out the pur-*
13 *poses of this subtitle, for the purchase or improvement*
14 *of land, or the purchase, construction, or permanent*
15 *improvement (other than low-cost residential weather-*
16 *ization or other energy-related home repairs) of any*
17 *building or other facility.*

18 “(2) *WAIVER.*—*The Secretary may waive the*
19 *limitation contained in paragraph (1) upon a State*
20 *request for such a waiver, if the Secretary finds that*
21 *the request describes extraordinary circumstances to*
22 *justify the purchase of land or the construction of fa-*
23 *cilities (or the making of permanent improvements)*
24 *and that permitting the waiver will contribute to the*

1 *ability of the State to carry out the purposes of this*
2 *subtitle.*

3 “(b) *POLITICAL ACTIVITIES.*—

4 “(1) *TREATMENT AS A STATE OR LOCAL AGEN-*
5 *CY.—For purposes of chapter 15 of title 5, United*
6 *States Code, any entity that assumes responsibility*
7 *for planning, developing, and coordinating activities*
8 *under this subtitle and receives assistance under this*
9 *subtitle shall be deemed to be a State or local agency.*
10 *For purposes of paragraphs (1) and (2) of section*
11 *1502(a) of such title, any entity receiving assistance*
12 *under this subtitle shall be deemed to be a State or*
13 *local agency.*

14 “(2) *PROHIBITIONS.*—*Programs assisted under*
15 *this subtitle shall not be carried on in a manner in-*
16 *volving the use of program funds, the provision of*
17 *services, or the employment or assignment of person-*
18 *nel, in a manner supporting or resulting in the iden-*
19 *tification of such programs with—*

20 “(A) *any partisan or nonpartisan political*
21 *activity or any political activity associated with*
22 *a candidate, or contending faction or group, in*
23 *an election for public or party office;*

24 “(B) *any activity to provide voters or pro-*
25 *spective voters with transportation to the polls or*

1 *similar assistance in connection with any such*
2 *election; or*

3 “(C) *any voter registration activity.*

4 “(3) *RULES AND REGULATIONS.—The Secretary,*
5 *after consultation with the Office of Personnel Man-*
6 *agement, shall issue rules and regulations to provide*
7 *for the enforcement of this subsection, which shall in-*
8 *clude provisions for summary suspension of assistance*
9 *or other action necessary to permit enforcement on an*
10 *emergency basis.*

11 “(c) *NONDISCRIMINATION.—*

12 “(1) *IN GENERAL.—No person shall, on the basis*
13 *of race, color, religion, national origin, or sex be ex-*
14 *cluded from participation in, be denied the benefits*
15 *of, or be subjected to discrimination under, any pro-*
16 *gram or activity funded in whole or in part with*
17 *funds made available under this subtitle. Any prohi-*
18 *bition against discrimination on the basis of age*
19 *under the Age Discrimination Act of 1975 (42 U.S.C.*
20 *6101 et seq.) or with respect to an otherwise qualified*
21 *individual with a disability as provided in section*
22 *504 of the Rehabilitation Act of 1973 (29 U.S.C. 794)*
23 *or title II of the Americans with Disabilities Act of*
24 *1990 (42 U.S.C. 12131 et seq.) shall also apply to*
25 *any such program or activity.*

1 “(2) *ACTION OF SECRETARY.*—Whenever the Sec-
2 retary determines that a State that has received a
3 payment under this subtitle has failed to comply with
4 paragraph (1) or an applicable regulation, the Sec-
5 retary shall notify the chief executive officer of the
6 State and shall request that the officer secure compli-
7 ance. If within a reasonable period of time, not to ex-
8 ceed 60 days, the chief executive officer fails or refuses
9 to secure compliance, the Secretary is authorized to—

10 “(A) refer the matter to the Attorney Gen-
11 eral with a recommendation that an appropriate
12 civil action be instituted;

13 “(B) exercise the powers and functions pro-
14 vided by title VI of the Civil Rights Act of 1964
15 (42 U.S.C. 2000d et seq.), the Age Discrimina-
16 tion Act of 1975 (42 U.S.C. 6101 et seq.), or sec-
17 tion 504 of the Rehabilitation Act of 1973 (29
18 U.S.C. 794), as may be applicable; or

19 “(C) take such other action as may be pro-
20 vided by law.

21 “(3) *ACTION OF ATTORNEY GENERAL.*—When a
22 matter is referred to the Attorney General pursuant
23 to paragraph (2), or whenever the Attorney General
24 has reason to believe that the State is engaged in a
25 pattern or practice of discrimination in violation of

1 *the provisions of this subsection, the Attorney General*
2 *may bring a civil action in any appropriate United*
3 *States district court for such relief as may be appro-*
4 *priate, including injunctive relief.*

5 **“SEC. 679. OPERATIONAL RULE.**

6 “(a) *FAITH-BASED ORGANIZATIONS INCLUDED AS*
7 *NONGOVERNMENTAL PROVIDERS.—For any program car-*
8 *ried out by the Federal Government, or by a State or local*
9 *government under this subtitle, the government shall con-*
10 *sider, on the same basis as other nongovernmental organiza-*
11 *tions, faith-based organizations to provide the assistance*
12 *under the program, so long as the program is implemented*
13 *in a manner consistent with the Establishment Clause of*
14 *the first amendment to the Constitution. Neither the Federal*
15 *Government nor a State or local government receiving*
16 *funds under this subtitle shall discriminate against an or-*
17 *ganization that provides assistance under, or applies to*
18 *provide assistance under, this subtitle, on the basis that the*
19 *organization has a faith-based character.*

20 “(b) *ADDITIONAL SAFEGUARDS.—Neither the Federal*
21 *Government nor a State or local government shall require*
22 *a faith-based organization to remove religious art, icons,*
23 *scripture, or other symbols in order to be eligible to provide*
24 *assistance under a program described in subsection (a).*

1 “(c) *LIMITATIONS ON USE OF FUNDS FOR CERTAIN*
2 *PURPOSES.—No funds provided to a faith-based organiza-*
3 *tion to provide assistance under any program described in*
4 *subsection (a) shall be expended for sectarian worship, in-*
5 *struction, or proselytization.*

6 “(d) *FISCAL ACCOUNTABILITY.—*

7 “(1) *IN GENERAL.—Except as provided in para-*
8 *graph (2), any faith-based organization providing as-*
9 *sistance under any program described in subsection*
10 *(a) shall be subject to the same regulations as other*
11 *nongovernmental organizations to account in accord*
12 *with generally accepted accounting principles for the*
13 *use of such funds provided under such program.*

14 “(2) *LIMITED AUDIT.—Such organization shall*
15 *segregate government funds provided under such pro-*
16 *gram into a separate account. Only the government*
17 *funds shall be subject to audit by the government.*

18 **“SEC. 680. DISCRETIONARY AUTHORITY OF THE SEC-**
19 **RETARY.**

20 “(a) *GRANTS, CONTRACTS, ARRANGEMENTS, LOANS,*
21 *AND GUARANTEES.—*

22 “(1) *IN GENERAL.—The Secretary shall, from*
23 *funds reserved under section 674(b)(3), make grants,*
24 *loans, or guarantees to States and public agencies*
25 *and private, nonprofit organizations, or enter into*

1 *contracts or jointly financed cooperative arrange-*
2 *ments with States and public agencies and private,*
3 *nonprofit organizations (and for-profit organizations,*
4 *to the extent specified in (2)(E)) for each of the objec-*
5 *tives described in paragraphs (2) through (4).*

6 “(2) *COMMUNITY ECONOMIC DEVELOPMENT.*—

7 “(A) *ECONOMIC DEVELOPMENT ACTIVI-*
8 *TIES.*—*The Secretary shall make grants de-*
9 *scribed in paragraph (1) on a competitive basis*
10 *to private, non-profit organizations that are*
11 *community development corporations to provide*
12 *technical and financial assistance for economic*
13 *development activities designed to address the*
14 *economic needs of low-income individuals and*
15 *families by creating employment and business*
16 *development opportunities.*

17 “(B) *CONSULTATION.*—*The Secretary shall*
18 *exercise the authority provided under subpara-*
19 *graph (A) after consultation with other relevant*
20 *Federal officials.*

21 “(C) *GOVERNING BOARDS.*—*For a commu-*
22 *nity development corporation to receive funds to*
23 *carry out this paragraph, the corporation shall*
24 *be governed by a board that shall consist of resi-*
25 *dents of the community and business and civic*

1 *leaders and shall have as a principal purpose*
2 *planning, developing, or managing low-income*
3 *housing or community development projects.*

4 “(D) *GEOGRAPHIC DISTRIBUTION.*—*In*
5 *making grants to carry out this paragraph, the*
6 *Secretary shall take into consideration the geo-*
7 *graphic distribution of funding among States*
8 *and the relative proportion of funding among*
9 *rural and urban areas.*

10 “(E) *RESERVATION.*—*Of the amounts made*
11 *available to carry out this paragraph, the Sec-*
12 *retary may reserve not more than 1 percent for*
13 *each fiscal year to make grants to private, non-*
14 *profit organizations or to enter into contracts*
15 *with private, nonprofit or for-profit organiza-*
16 *tions to provide technical assistance to aid com-*
17 *munity development corporations in developing*
18 *or implementing activities funded to carry out*
19 *this paragraph and to evaluate activities funded*
20 *to carry out this paragraph.*

21 “(3) *RURAL COMMUNITY DEVELOPMENT ACTIVI-*
22 *TIES.*—*The Secretary shall provide the assistance de-*
23 *scribed in paragraph (1) for rural community devel-*
24 *opment activities, which shall include—*

1 “(A) grants to private, nonprofit corpora-
2 tions that provide assistance concerning home re-
3 pair to rural low-income families and planning
4 and developing low-income rural rental housing
5 units; and

6 “(B) grants to multistate, regional, private,
7 nonprofit organizations to provide training and
8 technical assistance to small, rural communities
9 in meeting their community facility needs.

10 “(4) NEIGHBORHOOD INNOVATION PROJECTS.—
11 *The Secretary shall provide the assistance described*
12 *in paragraph (1) for neighborhood innovation*
13 *projects, which shall include grants to neighborhood-*
14 *based private, nonprofit organizations to test or assist*
15 *in the development of new approaches or methods that*
16 *will aid in overcoming special problems identified by*
17 *communities or neighborhoods or otherwise assist in*
18 *furthering the purposes of this subtitle, and which*
19 *may include projects that are designed to serve low-*
20 *income individuals and families who are not being ef-*
21 *fectively served by other programs.*

22 “(b) EVALUATION.—*The Secretary shall require all ac-*
23 *tivities receiving assistance under this section to be evalu-*
24 *ated for their effectiveness. Funding for such evaluations*
25 *shall be provided as a stated percentage of the assistance*

1 *or through a separate grant awarded by the Secretary spe-*
2 *cifically for the purpose of evaluation of a particular activ-*
3 *ity or group of activities.*

4 “(c) *ANNUAL REPORT.*—*The Secretary shall compile*
5 *an annual report containing a summary of the evaluations*
6 *required in subsection (b) and a listing of all activities as-*
7 *sisted under this section. The Secretary shall annually sub-*
8 *mit the report to the Chairperson of the Committee on Edu-*
9 *cation and the Workforce of the House of Representatives*
10 *and the Chairperson of the Committee on Labor and*
11 *Human Resources of the Senate.”.*

12 **SEC. 103. RELATED AMENDMENTS.**

13 *The Community Services Block Grant Act (42 U.S.C.*
14 *9901 et seq.) is amended—*

15 (1) *by striking section 681;*

16 (2) *in section 681A—*

17 (A) *by striking “681A” and inserting*
18 *“681”;*

19 (B) *in subsection (c) by striking “Labor”*
20 *and inserting “the Workforce”;* and

21 (C) *in subsection (d) by striking*
22 *“\$25,000,000” and all that follows through*
23 *“1998”, and inserting “\$5,000,000 for fiscal year*
24 *1999, and such sums as may be necessary for fis-*
25 *cal years 2000 through 2003”;*

1 (3) *in section 682—*

2 (A) *in subsection (c)—*

3 (i) *by redesignating paragraphs (3)*
4 *and (4) as paragraphs (4) and (5), respec-*
5 *tively; and*

6 (ii) *by inserting after paragraph (2)*
7 *the following:*

8 “(3) *the applicant shall, in each community in*
9 *which a program is funded under this section—*

10 “(A) *ensure that—*

11 “(i) *a community-based advisory com-*
12 *mittee, composed of representatives of local*
13 *youth, family, and social service organiza-*
14 *tions, schools, entities that provide park and*
15 *recreation services, entities that provide*
16 *training services, and community-based or-*
17 *ganizations that serve high-risk youth, is es-*
18 *tablished; or*

19 “(ii) *an existing community-based ad-*
20 *visory board, commission, or committee*
21 *with similar membership is used; and*

22 “(B) *enter into formal partnerships with*
23 *youth-serving organizations or other appropriate*
24 *social service entities in order to link program*
25 *participants with year-round services in their*

1 *home communities that support and continue the*
2 *objectives of this subtitle;”*; and

3 *(B) in subsection (f) by striking “each fiscal*
4 *year” and all that follows through “1998”, and*
5 *inserting “for fiscal year 1999, and such sums as*
6 *may be necessary for fiscal years 2000 through*
7 *2003”*; and

8 *(4) by striking sections 683 and 684, and insert-*
9 *ing the following:*

10 ***“SEC. 683. DRUG TESTING AND PATERNITY DETERMINA-***
11 ***TIONS.***

12 *“(a) DRUG TESTING PERMITTED.—(1) Nothing in this*
13 *subtitle shall be construed to prohibit a State from testing*
14 *participants in programs, activities, or services carried out*
15 *under this subtitle for controlled substances or from impos-*
16 *ing sanctions on such participants who test positive for any*
17 *of such substances.*

18 *“(2) Any funds provided under this subtitle expended*
19 *for such testing shall be considered to be expended for ad-*
20 *ministrative expenses and shall be subject to the limitation*
21 *specified in section 675(b)(2).*

22 *“(b) PATERNITY DETERMINATIONS.—During each fis-*
23 *cal year for which an eligible entity receives a grant under*
24 *section 675C, such entity shall—*

1 “(1) inform custodial parents in single-parent
2 families that participate in programs, activities, or
3 services carried out under this subtitle about the
4 availability of child support services;

5 “(2) refer eligible parents to the child support of-
6 fices of State and local governments; and

7 “(3) establish referral arrangements with such
8 offices.

9 **“SEC. 684. REFERENCES.**

10 *“Any reference in any provision of law to the poverty*
11 *line set forth in section 624 or 625 of the Economic Oppor-*
12 *tunity Act of 1964 shall be construed to be a reference to*
13 *the poverty line defined in section 673 of this subtitle. Any*
14 *reference in any provision of law to any community action*
15 *agency designated under title II of the Economic Oppor-*
16 *tunity Act of 1964 shall be construed to be a reference to*
17 *an entity eligible to receive funds under the community*
18 *services block grant program.”.*

19 **SEC. 104. ASSETS FOR INDEPENDENCE.**

20 *The Community Services Block Grant Act (42 U.S.C.*
21 *9901–9912), as amended by sections 102 and 103, is*
22 *amended—*

23 (1) by striking “this subtitle” each place it ap-
24 pears (other than in section 671) and inserting “this
25 part”, and

1 (2) *by inserting the following after section 671:*

2 **“PART A—COMMUNITY SERVICES GRANTS”,**

3 *and*

4 (3) *by adding at the end the following:*

5 **“PART B—ASSETS FOR INDEPENDENCE**

6 **“SEC. 685. SHORT TITLE.**

7 *“This part may be cited as the ‘Assets for Independ-*
8 *ence Act’.*

9 **“SEC. 686. FINDINGS.**

10 *“Congress makes the following findings:*

11 *“(1) Economic well-being does not come solely*
12 *from income, spending, and consumption, but also re-*
13 *quires savings, investment, and accumulation of as-*
14 *sets because assets can improve economic independ-*
15 *ence and stability, connect individuals with a viable*
16 *and hopeful future, stimulate development of human*
17 *and other capital, and enhance the welfare of off-*
18 *spring.*

19 *“(2) Fully 1/2 of all Americans have either no,*
20 *negligible, or negative assets available for investment,*
21 *just as the price of entry to the economic mainstream,*
22 *the cost of a house, an adequate education, and start-*
23 *ing a business, is increasing. Further, the household*
24 *savings rate of the United States lags far behind other*

1 *industrial nations presenting a barrier to economic*
2 *growth.*

3 “(3) *In the current tight fiscal environment, the*
4 *United States should invest existing resources in high-*
5 *yield initiatives. There is reason to believe that the fi-*
6 *nancial returns, including increased income, tax reve-*
7 *nue, and decreased welfare cash assistance, resulting*
8 *from individual development accounts will far exceed*
9 *the cost of investment in those accounts.*

10 “(4) *Traditional public assistance programs con-*
11 *centrating on income and consumption have rarely*
12 *been successful in promoting and supporting the tran-*
13 *sition to increased economic self-sufficiency. Income-*
14 *based domestic policy should be complemented with*
15 *asset-based policy because, while income-based policies*
16 *ensure that consumption needs (including food, child*
17 *care, rent, clothing, and health care) are met, asset-*
18 *based policies provide the means to achieve greater*
19 *independence and economic well-being.*

20 **“SEC. 687. PURPOSES.**

21 *“The purposes of this part are to provide for the estab-*
22 *lishment of demonstration projects designed to determine—*

23 “(1) *the social, civic, psychological, and eco-*
24 *nomic effects of providing to individuals and families*

1 *with limited means an incentive to accumulate assets*
2 *by saving a portion of their earned income;*

3 *“(2) the extent to which an asset-based policy*
4 *that promotes saving for postsecondary education,*
5 *homeownership, and microenterprise development*
6 *may be used to enable individuals and families with*
7 *limited means to increase their economic self-suffi-*
8 *ciency; and*

9 *“(3) the extent to which an asset-based policy*
10 *stabilizes and improves families and the community*
11 *in which they live.*

12 **“SEC. 688. DEFINITIONS.**

13 *“In this part:*

14 *“(1) APPLICABLE PERIOD.—The term ‘applicable*
15 *period’ means, with respect to amounts to be paid*
16 *from a grant made for a project year, the calendar*
17 *year immediately preceding the calendar year in*
18 *which the grant is made.*

19 *“(2) ELIGIBLE INDIVIDUAL.—The term ‘eligible*
20 *individual’ means an individual who is selected to*
21 *participate by a qualified entity under section 693.*

22 *“(3) EMERGENCY WITHDRAWAL.—The term*
23 *‘emergency withdrawal’ means a withdrawal by an*
24 *eligible individual that—*

1 “(A) is a withdrawal of only those funds, or
2 a portion of those funds, deposited by the indi-
3 vidual in the individual development account of
4 the individual;

5 “(B) is permitted by a qualified entity on
6 a case-by-case basis; and

7 “(C) is made for—

8 “(i) expenses for medical care or nec-
9 essary to obtain medical care, for the indi-
10 vidual or a spouse or dependent of the indi-
11 vidual described in paragraph (8)(D);

12 “(ii) payments necessary to prevent the
13 eviction of the individual from the residence
14 of the individual, or foreclosure on the mort-
15 gage for the principal residence of the indi-
16 vidual, as defined in paragraph (8)(B); or

17 “(iii) payments necessary to enable the
18 individual to meet necessary living expenses
19 following loss of employment.

20 “(4) *HOUSEHOLD*.—The term ‘household’ means
21 all individuals who share use of a dwelling unit as
22 primary quarters for living and eating separate from
23 other individuals.

24 “(5) *INDIVIDUAL DEVELOPMENT ACCOUNT*.—

1 “(A) *IN GENERAL.*—*The term ‘individual*
2 *development account’ means a trust created or*
3 *organized in the United States exclusively for the*
4 *purpose of paying the qualified expenses of an el-*
5 *igible individual, or enabling the eligible indi-*
6 *vidual to make an emergency withdrawal, but*
7 *only if the written governing instrument creat-*
8 *ing the trust meets the following requirements:*

9 “(i) *No contribution will be accepted*
10 *unless it is in cash or by check.*

11 “(ii) *The trustee is a federally insured*
12 *financial institution, or a State insured fi-*
13 *nancial institution if no federally insured*
14 *financial institution is available.*

15 “(iii) *The assets of the trust will be in-*
16 *vested in accordance with the direction of*
17 *the eligible individual after consultation*
18 *with the qualified entity providing deposits*
19 *for the individual under section 694.*

20 “(iv) *The assets of the trust will not be*
21 *commingled with other property except in a*
22 *common trust fund or common investment*
23 *fund.*

24 “(v) *Except as provided in clause (vi),*
25 *any amount in the trust which is attrib-*

1 *utable to a deposit provided under section*
2 *694 may be paid or distributed out of the*
3 *trust only for the purpose of paying the*
4 *qualified expenses of the eligible individual,*
5 *or enabling the eligible individual to make*
6 *an emergency withdrawal.*

7 *“(vi) Any balance in the trust on the*
8 *day after the date on which the individual*
9 *for whose benefit the trust is established dies*
10 *shall be distributed within 30 days of that*
11 *date as directed by that individual to an-*
12 *other individual development account estab-*
13 *lished for the benefit of an eligible individ-*
14 *ual.*

15 *“(B) CUSTODIAL ACCOUNTS.—For purposes*
16 *of subparagraph (A), a custodial account shall be*
17 *treated as a trust if the assets of the custodial ac-*
18 *count are held by a bank (as defined in section*
19 *408(n) of the Internal Revenue Code of 1986) or*
20 *another person who demonstrates, to the satisfac-*
21 *tion of the Secretary, that the manner in which*
22 *such person will administer the custodial ac-*
23 *count will be consistent with the requirements of*
24 *this part, and if the custodial account would, ex-*
25 *cept for the fact that it is not a trust, constitute*

1 *an individual development account described in*
2 *subparagraph (A). For purposes of this part, in*
3 *the case of a custodial account treated as a trust*
4 *by reason of the preceding sentence, the custo-*
5 *dian of that custodial account shall be treated as*
6 *the trustee thereof.*

7 “(6) *PROJECT YEAR.*—*The term ‘project year’*
8 *means, with respect to a demonstration project, any*
9 *of the 5 consecutive 12-month periods beginning on*
10 *the date the project is originally authorized to be con-*
11 *ducted.*

12 “(7) *QUALIFIED ENTITY.*—

13 “(A) *IN GENERAL.*—*The term ‘qualified en-*
14 *tity’ means—*

15 “(i) *one or more not-for-profit organi-*
16 *zations described in section 501(c)(3) of the*
17 *Internal Revenue Code of 1986 and exempt*
18 *from taxation under section 501(a) of such*
19 *Code; or*

20 “(ii) *a State or local government agen-*
21 *cy, or a tribal government, submitting an*
22 *application under section 689 jointly with*
23 *an organization described in clause (i).*

24 “(B) *RULE OF CONSTRUCTION.*—*Nothing in*
25 *this paragraph shall be construed as preventing*

1 *an organization described in subparagraph*
2 *(A)(i) from collaborating with a financial insti-*
3 *tution or for-profit community development cor-*
4 *poration to carry out the purposes of this part.*

5 “(8) *QUALIFIED EXPENSES.*—*The term ‘qualified*
6 *expenses’ means 1 or more of the following, as pro-*
7 *vided by the qualified entity:*

8 “(A) *POSTSECONDARY EDUCATIONAL EX-*
9 *PENSES.*—*Postsecondary educational expenses*
10 *paid from an individual development account*
11 *directly to an eligible educational institution. In*
12 *this subparagraph:*

13 “(i) *POSTSECONDARY EDUCATIONAL*
14 *EXPENSES.*—*The term ‘postsecondary edu-*
15 *cational expenses’ means the following:*

16 “(I) *TUITION AND FEES.*—*Tuition*
17 *and fees required for the enrollment or*
18 *attendance of a student at an eligible*
19 *educational institution.*

20 “(II) *FEES, BOOKS, SUPPLIES,*
21 *AND EQUIPMENT.*—*Fees, books, sup-*
22 *plies, and equipment required for*
23 *courses of instruction at an eligible*
24 *educational institution.*

1 “(i) *ELIGIBLE EDUCATIONAL INSTITU-*
2 *TION.—The term “eligible educational insti-*
3 *tution’ means the following:*

4 “(I) *INSTITUTION OF HIGHER*
5 *EDUCATION.—An institution described*
6 *in section 481(a)(1) or 1201(a) of the*
7 *Higher Education Act of 1965 (20*
8 *U.S.C. 1088(a)(1) or 1141(a)), as such*
9 *sections are in effect on the date of en-*
10 *actment of this part.*

11 “(II) *POSTSECONDARY VOCA-*
12 *TIONAL EDUCATION SCHOOL.—An area*
13 *vocational education school (as defined*
14 *in subparagraph (C) or (D) of section*
15 *521(4) of the Carl D. Perkins Voca-*
16 *tional and Applied Technology Edu-*
17 *cation Act (20 U.S.C. 2471(4))) which*
18 *is in any State (as defined in section*
19 *521(33) of such Act), as such sections*
20 *are in effect on the date of enactment*
21 *of this part.*

22 “(B) *FIRST-HOME PURCHASE.—Qualified*
23 *acquisition costs with respect to a principal resi-*
24 *dence for a qualified first-time homebuyer, if*
25 *paid from an individual development account*

1 *directly to the persons to whom the amounts are*
2 *due. In this subparagraph:*

3 “(i) *PRINCIPAL RESIDENCE.*—*The term*
4 *‘principal residence’ means a principal res-*
5 *idence, the qualified acquisition costs of*
6 *which do not exceed 100 percent of the aver-*
7 *age area purchase price applicable to such*
8 *residence.*

9 “(ii) *QUALIFIED ACQUISITION*
10 *COSTS.*—*The term ‘qualified acquisition*
11 *costs’ means the costs of acquiring, con-*
12 *structing, or reconstructing a residence. The*
13 *term includes any usual or reasonable set-*
14 *tlement, financing, or other closing costs.*

15 “(iii) *QUALIFIED FIRST-TIME HOME-*
16 *BUYER.*—

17 “(I) *IN GENERAL.*—*The term*
18 *‘qualified first-time homebuyer’ means*
19 *an individual participating in the*
20 *project (and, if married, the individ-*
21 *ual’s spouse) who has no present own-*
22 *ership interest in a principal residence*
23 *during the 3-year period ending on the*
24 *date of acquisition of the principal res-*

1 *idence to which this subparagraph ap-*
2 *plies.*

3 “(II) *DATE OF ACQUISITION.*—
4 *The term ‘date of acquisition’ means*
5 *the date on which a binding contract*
6 *to acquire, construct, or reconstruct the*
7 *principal residence to which this sub-*
8 *paragraph applies is entered into.*

9 “(C) *BUSINESS CAPITALIZATION.*—*Amounts*
10 *paid from an individual development account*
11 *directly to a business capitalization account*
12 *which is established in a federally insured finan-*
13 *cial institution (or in a State insured financial*
14 *institution if no federally insured financial in-*
15 *stitution is available) and is restricted to use*
16 *solely for qualified business capitalization ex-*
17 *penses. In this subparagraph:*

18 “(i) *QUALIFIED BUSINESS CAPITALIZA-*
19 *TION EXPENSES.*—*The term “qualified busi-*
20 *ness capitalization expenses’ means quali-*
21 *fied expenditures for the capitalization of a*
22 *qualified business pursuant to a qualified*
23 *plan.*

24 “(ii) *QUALIFIED EXPENDITURES.*—*The*
25 *term ‘qualified expenditures’ means expend-*

1 *itures included in a qualified plan, includ-*
2 *ing capital, plant, equipment, working cap-*
3 *ital, and inventory expenses.*

4 “(iii) *QUALIFIED BUSINESS.—The*
5 *term ‘qualified business’ means any busi-*
6 *ness that does not contravene any law or*
7 *public policy (as determined by the Sec-*
8 *retary).*

9 “(iv) *QUALIFIED PLAN.—The term*
10 *‘qualified plan’ means a business plan, or a*
11 *plan to use a business asset purchased,*
12 *which—*

13 *“(I) is approved by a financial*
14 *institution, a microenterprise develop-*
15 *ment organization, or a nonprofit loan*
16 *fund having demonstrated fiduciary*
17 *integrity;*

18 *“(II) includes a description of*
19 *services or goods to be sold, a market-*
20 *ing plan, and projected financial state-*
21 *ments; and*

22 *“(III) may require the eligible in-*
23 *dividual to obtain the assistance of an*
24 *experienced entrepreneurial adviser.*

1 “(D) *TRANSFERS TO IDAS OF FAMILY MEM-*
2 *BERS.—Amounts paid from an individual devel-*
3 *opment account directly into another such ac-*
4 *count established for the benefit of an eligible in-*
5 *dividual who is—*

6 “(i) *the individual’s spouse; or*

7 “(ii) *any dependent of the individual*
8 *with respect to whom the individual is al-*
9 *lowed a deduction under section 151 of the*
10 *Internal Revenue Code of 1986.*

11 “(9) *QUALIFIED SAVINGS OF THE INDIVIDUAL*
12 *FOR THE PERIOD.—The term ‘qualified savings of the*
13 *individual for the period’ means the aggregate of the*
14 *amounts contributed by the individual to the individ-*
15 *ual development account of the individual during the*
16 *period.*

17 “(10) *SECRETARY.—The term ‘Secretary’ means*
18 *the Secretary of Health and Human Services.*

19 “(11) *TRIBAL GOVERNMENT.—The term ‘tribal*
20 *government’ means a tribal organization, as defined*
21 *in section 4 of the Indian Self-Determination and*
22 *Education Assistance Act (25 U.S.C. 450b) or a Na-*
23 *tive Hawaiian organization, as defined in section*
24 *9212 of the Native Hawaiian Education Act (20*
25 *U.S.C. 7912).*

1 **“SEC. 689. APPLICATIONS.**

2 “(a) *ANNOUNCEMENT OF DEMONSTRATION*
3 *PROJECTS.—Not later than 3 months after the date of en-*
4 *actment of this part, the Secretary shall publicly announce*
5 *the availability of funding under this part for demonstra-*
6 *tion projects and shall ensure that applications to conduct*
7 *the demonstration projects are widely available to qualified*
8 *entities.*

9 “(b) *SUBMISSION.—Not later than 6 months after the*
10 *date of enactment of this part, a qualified entity may sub-*
11 *mit to the Secretary an application to conduct a dem-*
12 *onstration project under this part.*

13 “(c) *CRITERIA.—In considering whether to approve an*
14 *application to conduct a demonstration project under this*
15 *part, the Secretary shall assess the following:*

16 “(1) *SUFFICIENCY OF PROJECT.—The degree to*
17 *which the project described in the application appears*
18 *likely to aid project participants in achieving eco-*
19 *nomie self-sufficiency through activities requiring*
20 *qualified expenses. In making such assessment, the*
21 *Secretary shall consider the overall quality of project*
22 *activities in making any particular kind or combina-*
23 *tion of qualified expenses to be an essential feature of*
24 *any project.*

1 “(2) *ADMINISTRATIVE ABILITY.*—*The experience*
2 *and ability of the applicant to responsibly administer*
3 *the project.*

4 “(3) *ABILITY TO ASSIST PARTICIPANTS.*—*The ex-*
5 *perience and ability of the applicant in recruiting,*
6 *educating, and assisting project participants to in-*
7 *crease their economic independence and general well-*
8 *being through the development of assets.*

9 “(4) *COMMITMENT OF NON-FEDERAL FUNDS.*—
10 *The aggregate amount of direct funds from non-Fed-*
11 *eral public sector and from private sources that are*
12 *formally committed to the project as matching con-*
13 *tributions.*

14 “(5) *ADEQUACY OF PLAN FOR PROVIDING INFOR-*
15 *MATION FOR EVALUATION.*—*The adequacy of the plan*
16 *for providing information relevant to an evaluation*
17 *of the project.*

18 “(6) *OTHER FACTORS.*—*Such other factors rel-*
19 *evant to the purposes of this part as the Secretary*
20 *may specify.*

21 “(d) *PREFERENCES.*—*In considering an application*
22 *to conduct a demonstration project under this part, the Sec-*
23 *retary shall give preference to an application that—*

24 “(1) *demonstrates the willingness and ability to*
25 *select individuals described in section 692 who are*

1 *predominantly from households in which a child (or*
2 *children) is living with the child’s biological or adop-*
3 *tive mother or father, or with the child’s legal guard-*
4 *ian;*

5 *“(2) provides a commitment of non-Federal*
6 *funds with a proportionately greater amount of such*
7 *funds committed by private sector sources; and*

8 *“(3) targets such individuals residing within 1*
9 *or more relatively well-defined neighborhoods or com-*
10 *munities (including rural communities) that experi-*
11 *ence high rates of poverty or unemployment.*

12 *“(e) APPROVAL.—Not later than 9 months after the*
13 *date of enactment of this part, the Secretary shall, on a*
14 *competitive basis, approve such applications to conduct*
15 *demonstration projects under this part as the Secretary*
16 *deems appropriate, taking into account the assessments re-*
17 *quired by subsections (c) and (d). The Secretary is encour-*
18 *aged to ensure that the applications that are approved in-*
19 *volve a range of communities (both rural and urban) and*
20 *diverse populations.*

21 *“(f) CONTRACTS WITH NONPROFIT ENTITIES.—The*
22 *Secretary may contract with an entity described in section*
23 *501(c)(3) of the Internal Revenue Code of 1986 and exempt*
24 *from taxation under section 501(a) of such Code to conduct*

1 *any responsibility of the Secretary under this section or sec-*
2 *tion 696 if—*

3 “(1) *such entity demonstrates the ability to con-*
4 *duct such responsibility; and*

5 “(2) *the Secretary can demonstrate that such re-*
6 *sponsibility would not be conducted by the Secretary*
7 *at a lower cost.*

8 **“SEC. 690. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**

9 “(a) *DEMONSTRATION AUTHORITY.—If the Secretary*
10 *approves an application to conduct a demonstration project*
11 *under this part, the Secretary shall, not later than 10*
12 *months after the date of enactment of this part, authorize*
13 *the applicant to conduct the project for 5 project years in*
14 *accordance with the approved application and the require-*
15 *ments of this part.*

16 “(b) *GRANT AUTHORITY.—For each project year of a*
17 *demonstration project conducted under this part, the Sec-*
18 *retary may make a grant to the qualified entity authorized*
19 *to conduct the project. In making such a grant, the Sec-*
20 *retary shall make the grant on the first day of the project*
21 *year in an amount not to exceed the lesser of—*

22 “(1) *the aggregate amount of funds committed as*
23 *matching contributions by non-Federal public or pri-*
24 *vate sector sources; or*

25 “(2) *\$1,000,000.*

1 **“SEC. 691. RESERVE FUND.**

2 “(a) *ESTABLISHMENT.*—A qualified entity under this
3 part, other than a State or local government agency, or a
4 tribal government, shall establish a Reserve Fund which
5 shall be maintained in accordance with this section.

6 “(b) *AMOUNTS IN RESERVE FUND.*—

7 “(1) *IN GENERAL.*—As soon after receipt as is
8 practicable, a qualified entity shall deposit in the Re-
9 serve Fund established under subsection (a)—

10 “(A) all funds provided to the qualified en-
11 tity by any public or private source in connec-
12 tion with the demonstration project; and

13 “(B) the proceeds from any investment
14 made under subsection (c)(2).

15 “(2) *UNIFORM ACCOUNTING REGULATIONS.*—The
16 Secretary shall prescribe regulations with respect to
17 accounting for amounts in the Reserve Fund estab-
18 lished under subsection (a).

19 “(c) *USE OF AMOUNTS IN THE RESERVE FUND.*—

20 “(1) *IN GENERAL.*—A qualified entity shall use
21 the amounts in the Reserve Fund established under
22 subsection (a) to—

23 “(A) assist participants in the demonstra-
24 tion project in obtaining the skills (including
25 economic literacy, budgeting, credit, and counsel-
26 ing) and information necessary to achieve eco-

1 *conomic self-sufficiency through activities requir-*
2 *ing qualified expenses;*

3 “(B) *provide deposits in accordance with*
4 *section 694 for individuals selected by the quali-*
5 *fied entity to participate in the demonstration*
6 *project;*

7 “(C) *administer the demonstration project;*
8 *and*

9 “(D) *provide the research organization eval-*
10 *uating the demonstration project under section*
11 *698 with such information with respect to the*
12 *demonstration project as may be required for the*
13 *evaluation.*

14 “(2) *AUTHORITY TO INVEST FUNDS.—*

15 “(A) *GUIDELINES.—The Secretary shall es-*
16 *tablish guidelines for investing amounts in the*
17 *Reserve Fund established under subsection (a) in*
18 *a manner that provides an appropriate balance*
19 *between return, liquidity, and risk.*

20 “(B) *INVESTMENT.—A qualified entity shall*
21 *invest the amounts in its Reserve Fund that are*
22 *not immediately needed to carry out the provi-*
23 *sions of paragraph (1), in accordance with the*
24 *guidelines established under subparagraph (A).*

1 “(3) *LIMITATION ON USES.*—Not more than 9.5
2 *percent of the amounts provided to a qualified entity*
3 *under section 698(b) shall be used by the qualified en-*
4 *tity for the purposes described in subparagraphs (A),*
5 *(C), and (D) of paragraph (1), of which not less than*
6 *2 percent of the amounts shall be used by the quali-*
7 *fied entity for the purposes described in paragraph*
8 *(1)(D). If 2 or more qualified entities are jointly ad-*
9 *ministering a project, no qualified entity shall use*
10 *more than its proportional share for the purposes de-*
11 *scribed in subparagraphs (A), (C), and (D) of para-*
12 *graph (1).*

13 “(d) *UNUSED FEDERAL GRANT FUNDS TRANSFERRED*
14 *TO THE SECRETARY WHEN PROJECT TERMINATES.*—Not-
15 *withstanding subsection (c), upon the termination of any*
16 *demonstration project authorized under this section, the*
17 *qualified entity conducting the project shall transfer to the*
18 *Secretary an amount equal to—*

19 “(1) *the amounts in its Reserve Fund at time of*
20 *the termination; multiplied by*

21 “(2) *a percentage equal to—*

22 “(A) *the aggregate amount of grants made*
23 *to the qualified entity under section 698(b); di-*
24 *vided by*

1 “(B) the aggregate amount of all funds pro-
2 vided to the qualified entity by all sources to
3 conduct the project.

4 **“SEC. 692. ELIGIBILITY FOR PARTICIPATION.**

5 “(a) *IN GENERAL.*—Any individual who is a member
6 of a household that is eligible for assistance under the State
7 temporary assistance for needy families program estab-
8 lished under part A of title IV of the Social Security Act
9 (42 U.S.C. 601 et seq.), or that meets each of the following
10 requirements shall be eligible to participate in a demonstra-
11 tion project conducted under this part:

12 “(1) *INCOME TEST.*—The adjusted gross income
13 of the household does not exceed the earned income
14 amount described in section 32 of the Internal Reve-
15 nue Code of 1986 (taking into account the size of the
16 household).

17 “(2) *NET WORTH TEST.*—

18 “(A) *IN GENERAL.*—The net worth of the
19 household, as of the end of the calendar year pre-
20 ceding the determination of eligibility, does not
21 exceed \$10,000.

22 “(B) *DETERMINATION OF NET WORTH.*—
23 For purposes of subparagraph (A), the net worth
24 of a household is the amount equal to—

1 “(i) the aggregate market value of all
2 assets that are owned in whole or in part
3 by any member of the household; minus

4 “(ii) the obligations or debts of any
5 member of the household.

6 “(C) *EXCLUSIONS.*—For purposes of deter-
7 mining the net worth of a household, a house-
8 hold’s assets shall not be considered to include
9 the primary dwelling unit and 1 motor vehicle
10 owned by the household.

11 “(b) *INDIVIDUALS UNABLE TO COMPLETE THE*
12 *PROJECT.*—The Secretary shall establish such regulations
13 as are necessary, including prohibiting future eligibility to
14 participate in any other demonstration project conducted
15 under this part, to ensure compliance with this part if an
16 individual participating in the demonstration project
17 moves from the community in which the project is con-
18 ducted or is otherwise unable to continue participating in
19 that project.

20 “**SEC. 693. SELECTION OF INDIVIDUALS TO PARTICIPATE.**

21 “From among the individuals eligible to participate
22 in a demonstration project conducted under this part, each
23 qualified entity shall select the individuals—

24 “(1) that the qualified entity deems to be best
25 suited to participate; and

1 “(2) to whom the qualified entity will provide
2 deposits in accordance with section 694.

3 **“SEC. 694. DEPOSITS BY QUALIFIED ENTITIES.**

4 “(a) *IN GENERAL.*—Not less than once every 3 months
5 during each project year, each qualified entity under this
6 Act shall deposit in the individual development account of
7 each individual participating in the project, or into a par-
8 allel account maintained by the qualified entity—

9 “(1) from the non-Federal funds described in sec-
10 tion 689(c)(4), a matching contribution of not less
11 than \$0.50 and not more than \$4 for every \$1 of
12 earned income (as defined in section 911(d)(2) of the
13 Internal Revenue Code of 1986) deposited in the ac-
14 count by a project participant during that period;

15 “(2) from the grant made under section 690(b),
16 an amount equal to the matching contribution made
17 under paragraph (1); and

18 “(3) any interest that has accrued on amounts
19 deposited under paragraph (1) or (2) on behalf of that
20 individual into the individual development account of
21 the individual or into a parallel account maintained
22 by the qualified entity.

23 “(b) *LIMITATION ON DEPOSITS FOR AN INDIVIDUAL.*—
24 Not more than \$2,000 from a grant made under section

1 690(b) shall be provided to any 1 individual over the course
2 of the demonstration project.

3 “(c) *LIMITATION ON DEPOSITS FOR A HOUSEHOLD.*—
4 Not more than \$4,000 from a grant made under section
5 690(b) shall be provided to any 1 household over the course
6 of the demonstration project.

7 “(d) *WITHDRAWAL OF FUNDS.*—The Secretary shall
8 establish such guidelines as may be necessary to ensure that
9 funds held in an individual development account are not
10 withdrawn, except for 1 or more qualified expenses, or for
11 an emergency withdrawal. Such guidelines shall include a
12 requirement that a responsible official of the qualified en-
13 tity conducting a project approve such withdrawal in writ-
14 ing. The guidelines shall provide that no individual may
15 withdraw funds from an individual development account
16 earlier than 6 months after the date on which the individual
17 first deposits funds in the account.

18 “(e) *REIMBURSEMENT.*—An individual shall reim-
19 burse an individual development account for any funds
20 withdrawn from the account for an emergency withdrawal,
21 not later than 12 months after the date of the withdrawal.
22 If the individual fails to make the reimbursement, the quali-
23 fied entity administering the account shall transfer the
24 funds deposited into the account or a parallel account under
25 section 694 to the Reserve Fund of the qualified entity, and

1 *use the funds to benefit other individuals participating in*
2 *the demonstration project involved.*

3 **“SEC. 695. LOCAL CONTROL OVER DEMONSTRATION**
4 **PROJECTS.**

5 *“A qualified entity under this part, other than a State*
6 *or local government agency or a tribal government, shall,*
7 *subject to the provisions of section 697, have sole authority*
8 *over the administration of the project. The Secretary may*
9 *prescribe only such regulations or guidelines with respect*
10 *to demonstration projects conducted under this part as are*
11 *necessary to ensure compliance with the approved applica-*
12 *tions and the requirements of this part.*

13 **“SEC. 696. ANNUAL PROGRESS REPORTS.**

14 *“(a) IN GENERAL.—Each qualified entity under this*
15 *part shall prepare an annual report on the progress of the*
16 *demonstration project. Each report shall include both pro-*
17 *gram and participant information and shall specify for the*
18 *period covered by the report the following information:*

19 *“(1) The number and characteristics of individ-*
20 *uals making a deposit into an individual develop-*
21 *ment account.*

22 *“(2) The amounts in the Reserve Fund estab-*
23 *lished with respect to the project.*

24 *“(3) The amounts deposited in the individual de-*
25 *velopment accounts.*

1 “(4) *The amounts withdrawn from the individ-*
2 *ual development accounts and the purposes for which*
3 *such amounts were withdrawn.*

4 “(5) *The balances remaining in the individual*
5 *development accounts.*

6 “(6) *The savings account characteristics (such as*
7 *threshold amounts and match rates) required to stim-*
8 *ulate participation in the demonstration project, and*
9 *how such characteristics vary among different popu-*
10 *lations or communities.*

11 “(7) *What service configurations of the qualified*
12 *entity (such as peer support, structured planning ex-*
13 *ercises, mentoring, and case management) increased*
14 *the rate and consistency of participation in the dem-*
15 *onstration project and how such configurations varied*
16 *among different populations or communities.*

17 “(8) *Such other information as the Secretary*
18 *may require to evaluate the demonstration project.*

19 “(b) *SUBMISSION OF REPORTS.—The qualified entity*
20 *shall submit each report required to be prepared under sub-*
21 *section (a) to—*

22 “(1) *the Secretary; and*

23 “(2) *the Treasurer (or equivalent official) of the*
24 *State in which the project is conducted, if the State*

1 *or a local government or a tribal government commit-*
2 *ted funds to the demonstration project.*

3 “(c) *TIMING.*—*The first report required by subsection*
4 *(a) shall be submitted not later than 60 days after the end*
5 *of the calendar year in which the Secretary authorized the*
6 *qualified entity to conduct the demonstration project, and*
7 *subsequent reports shall be submitted every 12 months there-*
8 *after, until the conclusion of the project.*

9 **“SEC. 697. SANCTIONS.**

10 “(a) *AUTHORITY TO TERMINATE DEMONSTRATION*
11 *PROJECT.*—*If the Secretary determines that a qualified en-*
12 *tity under this part is not operating the demonstration*
13 *project in accordance with the entity’s application or the*
14 *requirements of this part (and has not implemented any*
15 *corrective recommendations directed by the Secretary), the*
16 *Secretary shall terminate such entity’s authority to conduct*
17 *the demonstration project.*

18 “(b) *ACTIONS REQUIRED UPON TERMINATION.*—*If the*
19 *Secretary terminates the authority to conduct a demonstra-*
20 *tion project, the Secretary—*

21 “(1) *shall suspend the demonstration project;*

22 “(2) *shall take control of the Reserve Fund estab-*
23 *lished pursuant to section 691;*

24 “(3) *shall make every effort to identify another*
25 *qualified entity (or entities) willing and able to con-*

1 *duct the project in accordance with the approved ap-*
2 *plication (or, as modified, if necessary to incorporate*
3 *the recommendations) and the requirements of this*
4 *part;*

5 “(4) shall, if the Secretary identifies an entity
6 *(or entities) described in paragraph (3)—*

7 “(A) authorize the entity (or entities) to
8 *conduct the project in accordance with the ap-*
9 *proved application (or, as modified, if necessary,*
10 *to incorporate the recommendations) and the re-*
11 *quirements of this part;*

12 “(B) transfer to the entity (or entities) con-
13 *trol over the Reserve Fund established pursuant*
14 *to section 691; and*

15 “(C) consider, for purposes of this part—

16 “(i) such other entity (or entities) to be
17 *the qualified entity (or entities) originally*
18 *authorized to conduct the demonstration*
19 *project; and*

20 “(ii) the date of such authorization to
21 *be the date of the original authorization;*
22 *and*

23 “(5) if, by the end of the 1-year period beginning
24 *on the date of the termination, the Secretary has not*

1 *found a qualified entity (or entities) described in*
2 *paragraph (3), shall—*

3 “(A) *terminate the project; and*

4 “(B) *from the amount remaining in the Re-*
5 *serve Fund established as part of the project,*
6 *remit to each source that provided funds under*
7 *section 689(c)(4) to the entity originally author-*
8 *ized to conduct the project, an amount that bears*
9 *the same ratio to the amount so remaining as*
10 *the amount provided by the source under section*
11 *689(c)(4) bears to the amount provided by all*
12 *such sources under that section.*

13 **“SEC. 698. EVALUATIONS.**

14 “(a) *IN GENERAL.—Not later than 10 months after the*
15 *date of enactment of this part, the Secretary shall enter into*
16 *a contract with an independent research organization to*
17 *evaluate, individually and as a group, all qualified entities*
18 *and sources participating in the demonstration projects*
19 *conducted under this part.*

20 “(b) *FACTORS TO EVALUATE.—In evaluating any*
21 *demonstration project conducted under this part, the re-*
22 *search organization shall address the following factors:*

23 “(1) *The effects of incentives and organizational*
24 *or institutional support on savings behavior in the*
25 *demonstration project.*

1 “(2) *The savings rates of individuals in the dem-*
2 *onstration project based on demographic characteris-*
3 *tics including gender, age, family size, race or ethnic*
4 *background, and income.*

5 “(3) *The economic, civic, psychological, and so-*
6 *cial effects of asset accumulation, and how such effects*
7 *vary among different populations or communities.*

8 “(4) *The effects of individual development ac-*
9 *counts on homeownership, level of postsecondary edu-*
10 *cation attained, and self-employment, and how such*
11 *effects vary among different populations or commu-*
12 *nities.*

13 “(5) *The potential financial returns to the Fed-*
14 *eral Government and to other public sector and pri-*
15 *vate sector investors in individual development ac-*
16 *counts over a 5-year and 10-year period of time.*

17 “(6) *The lessons to be learned from the dem-*
18 *onstration projects conducted under this part and if*
19 *a permanent program of individual development ac-*
20 *counts should be established.*

21 “(7) *Such other factors as may be prescribed by*
22 *the Secretary.*

23 “(c) *METHODOLOGICAL REQUIREMENTS.—In evaluat-*
24 *ing any demonstration project conducted under this part,*
25 *the research organization shall—*

1 “(1) for at least 1 site, use control groups to
2 compare participants with nonparticipants;

3 “(2) before, during, and after the project, obtain
4 such quantitative data as are necessary to evaluate
5 the project thoroughly; and

6 “(3) develop a qualitative assessment, derived
7 from sources such as in-depth interviews, of how asset
8 accumulation affects individuals and families.

9 “(d) *REPORTS BY THE SECRETARY.*—

10 “(1) *INTERIM REPORTS.*—Not later than 90 days
11 after the end of the calendar year in which the Sec-
12 retary first authorizes a qualified entity to conduct a
13 demonstration project under this part, and every 12
14 months thereafter until all demonstration projects
15 conducted under this part are completed, the Sec-
16 retary shall submit to Congress an interim report set-
17 ting forth the results of the reports submitted pursu-
18 ant to section 696(b).

19 “(2) *FINAL REPORTS.*—Not later than 12 months
20 after the conclusion of all demonstration projects con-
21 ducted under this part, the Secretary shall submit to
22 Congress a final report setting forth the results and
23 findings of all reports and evaluations conducted pur-
24 suant to this part.

1 “(e) *EVALUATION EXPENSES.*—*The Secretary shall ex-*
2 *pend such sums as may be necessary, but not less than 2*
3 *percent of the amount appropriated under section 699A for*
4 *a fiscal year, to carry out the purposes of this section.*

5 **“SEC. 699. TREATMENT OF FUNDS.**

6 “*Of the funds deposited in individual development ac-*
7 *counts for eligible individuals, only the funds deposited by*
8 *the individuals (including interest accruing on those funds)*
9 *may be considered to be income, assets, or resources of the*
10 *individuals for purposes of determining eligibility for, or*
11 *the amount of assistance furnished under, any Federal or*
12 *federally assisted program based on need.*

13 **“SEC. 699A. AUTHORIZATION OF APPROPRIATIONS.**

14 “*There is authorized to be appropriated to carry out*
15 *this part, \$25,000,000 for each of fiscal years 1999, 2000,*
16 *2001, and 2002, to remain available until expended.”.*

17 **SEC. 105. EFFECTIVE DATE; APPLICATION OF AMEND-**
18 **MENTS.**

19 (a) *EFFECTIVE DATE.*—*Except as provided in sub-*
20 *section (b), this title and the amendments made by this title*
21 *shall take effect on the date of the enactment of this Act.*

22 (b) *APPLICATION OF AMENDMENTS.*—*The amendments*
23 *made by this title shall not apply with respect to fiscal*
24 *years ending before October 1, 1998.*

1 **TITLE II—AMENDMENTS TO THE**
2 **LOW-INCOME HOME ENERGY**
3 **ASSISTANCE ACT OF 1981**

4 **SEC. 201. SHORT TITLE.**

5 *This title may be cited as the “Low-Income Home En-*
6 *ergy Assistance Amendments of 1998”.*

7 **SEC. 202. AUTHORIZATION.**

8 *(a) IN GENERAL.—Section 2602(b) of the Low-Income*
9 *Home Energy Assistance Act of 1981 (42 U.S.C. 8621(b))*
10 *is amended by inserting “, \$1,100,000,000 for fiscal year*
11 *2000, and such sums as may be necessary for fiscal year*
12 *2001” after “1995 through 1999”.*

13 *(b) PROGRAM YEAR.—Section 2602(c) of such Act (42*
14 *U.S.C. 8621(c)) is amended to read as follows:*

15 *“(c) Amounts appropriated under this section in any*
16 *fiscal year for programs and activities under this title shall*
17 *be made available for obligation in the succeeding fiscal*
18 *year.”.*

19 *(c) INCENTIVE PROGRAM FOR LEVERAGING NON-FED-*
20 *ERAL RESOURCES.—Section 2602(d) of the Low-Income*
21 *Home Energy Assistance Act of 1981 (42 U.S.C. 8621(d))*
22 *is amended by striking “for each of the fiscal years 1996”*
23 *and all that follows through the period at the end, and in-*
24 *serting “for each of the fiscal years 1999, 2000, and 2001.”.*

1 (d) *TECHNICAL AMENDMENT.*—Section 2602(e) of such
2 Act (42 U.S.C. 8621(e)) is amended by striking “subsection
3 (g)” and inserting “subsection (e) of such section”.

4 **SEC. 203. DEFINITIONS.**

5 Section 2603(4) of the Low-Income Home Energy As-
6 sistance Act of 1981 (42 U.S.C. 8622(4)) is amended—

7 (1) by striking “the term” and inserting “The
8 term”; and

9 (2) by striking the semicolon and inserting a pe-
10 riod.

11 **SEC. 204. NATURAL DISASTERS AND OTHER EMERGENCIES.**

12 (a) *DEFINITIONS.*—Section 2603 of the Low-Income
13 Home Energy Assistance Act of 1981 (42 U.S.C. 8622) is
14 amended—

15 (1) by redesignating paragraphs (6) through (9)
16 as paragraphs (8) through (11), respectively;

17 (2) by inserting before paragraph (8) (as redesign-
18 ated in paragraph (1)) the following:

19 “(7) *NATURAL DISASTER.*—The term ‘natural
20 disaster’ means a weather event (relating to cold or
21 hot weather), flood, earthquake, tornado, hurricane, or
22 ice storm, or an event meeting such other criteria as
23 the Secretary, in the discretion of the Secretary, may
24 determine to be appropriate.”;

1 (3) by redesignating paragraphs (1) through (5)
2 as paragraphs (2) through (6), respectively; and

3 (4) by inserting before paragraph (2) (as redesign-
4 nated in paragraph (3)) the following:

5 “(1) *EMERGENCY.*—The term ‘emergency’ means—

6 “(A) a natural disaster;

7 “(B) a significant home energy supply shortage
8 or disruption;

9 “(C) a significant increase in the cost of home
10 energy, as determined by the Secretary;

11 “(D) a significant increase in home energy dis-
12 connections reported by a utility, a State regulatory
13 agency, or another agency with necessary data;

14 “(E) a significant increase in participation in a
15 public benefit program such as the food stamp pro-
16 gram carried out under the Food Stamp Act of 1977
17 (7 U.S.C. 2011 et seq.), the national program to pro-
18 vide supplemental security income carried out under
19 title XVI of the Social Security Act (42 U.S.C. 1381
20 et seq.), or the State temporary assistance for needy
21 families program carried out under part A of title IV
22 of the Social Security Act (42 U.S.C. 601 et seq.), as
23 determined by the head of the appropriate Federal
24 agency;

1 “(F) a significant increase in unemployment,
2 layoffs, or the number of households with an individ-
3 ual applying for unemployment benefits, as deter-
4 mined by the Secretary of Labor; or

5 “(G) an event meeting such criteria as the Sec-
6 retary, in the discretion of the Secretary, may deter-
7 mine to be appropriate.”.

8 (b) *CONSIDERATIONS.*—Section 2604(g) of such Act
9 (42 U.S.C. 8623(g)) is amended by striking the last 2 sen-
10 tences and inserting the following: “In determining whether
11 to make such an allotment to a State, the Secretary shall
12 take into account the extent to which the State was affected
13 by the natural disaster or other emergency involved, the
14 availability to the State of other resources under the pro-
15 gram carried out under this title or any other program,
16 whether a Member of Congress has requested that the State
17 receive the allotment, and such other factors as the Sec-
18 retary may find to be relevant. Not later than 30 days after
19 making the determination, but prior to releasing an allotted
20 amount to a State, the Secretary shall notify Congress of
21 the allotments made pursuant to this subsection.”.

22 **SEC. 205. STATE ALLOTMENTS.**

23 Section 2604 of the Low-Income Home Energy Assist-
24 ance Act of 1981 (42 U.S.C. 8623) is amended—

1 (1) *in subsection (b)(1), by striking “the North-*
2 *ern Mariana Islands, and the Trust Territory of the*
3 *Pacific Islands.” and inserting “and the Common-*
4 *wealth of the Northern Mariana Islands.”;*

5 (2) *in subsection (c)(3)(B)(ii), by striking “ap-*
6 *plication” and inserting “applications”;*

7 (3) *by striking subsection (f);*

8 (4) *in the first sentence of subsection (g), by*
9 *striking “(a) through (f)” and inserting “(a) through*
10 *(d)”;* and

11 (5) *by redesignating subsection (g) as subsection*
12 *(e).*

13 **SEC. 206. ADMINISTRATION.**

14 *Section 2605 of the Low-Income Home Energy Assist-*
15 *ance Act of 1981 (42 U.S.C. 8624) is amended—*

16 (1) *in subsection (b)—*

17 (A) *in paragraph (9)(A), by striking “and*
18 *not transferred pursuant to section 2604(f) for*
19 *use under another block grant”;*

20 (B) *in paragraph (14), by striking “; and”*
21 *and inserting a semicolon;*

22 (C) *in the matter following paragraph (14),*
23 *by striking “The Secretary may not prescribe the*
24 *manner in which the States will comply with the*
25 *provisions of this subsection.”; and*

1 (D) in the matter following paragraph (16),
2 by inserting before “The Secretary shall issue”
3 the following: “The Secretary may not prescribe
4 the manner in which the States will comply with
5 the provisions of this subsection.”; and

6 (2) in subsection (c)(1)—

7 (A) in subparagraph (B), by striking
8 “States” and inserting “State”; and

9 (B) in subparagraph (G)(i), by striking
10 “has” and inserting “had”; and

11 (3) in paragraphs (1) and (2)(A) of subsection
12 (k) by inserting “, particularly those low-income
13 households with the lowest incomes that pay a high
14 proportion of household income for home energy” be-
15 fore the period.

16 **SEC. 207. PAYMENTS TO STATES.**

17 Section 2607(b)(2)(B) of the Low-Income Home En-
18 ergy Assistance Act of 1981 (42 U.S.C. 8626(b)(2)(B)) is
19 amended—

20 (1) in the first sentence, by striking “and not
21 transferred pursuant to section 2604(f)”; and

22 (2) in the second sentence, by striking “but not
23 transferred by the State”.

1 **SEC. 208. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE**

2 **OPTION.**

3 (a) *EVALUATION.*—*The Comptroller General shall con-*
4 *duct an evaluation of the Residential Energy Assistance*
5 *Challenge program described in section 2607B of the Low-*
6 *Income Home Energy Assistance Act of 1981 (42 U.S.C.*
7 *8626b).*

8 (b) *REPORT.*—*Not later than 2 years after the date*
9 *of enactment of this Act, the Comptroller General shall pre-*
10 *pare and submit to Congress a report containing—*

11 (1) *the findings resulting from the evaluation de-*
12 *scribed in subsection (a); and*

13 (2) *the State evaluations described in para-*
14 *graphs (1) and (2) of subsection (b) of such section*
15 *2607B.*

16 (c) *INCENTIVE GRANTS.*—*Section 2607B(b)(1) of the*
17 *Low-Income Home Energy Assistance Act of 1981 (42*
18 *U.S.C. 8626b(b)(1)) is amended by striking “For each of*
19 *the fiscal years 1996 through 1999” and inserting “For*
20 *each fiscal year”.*

21 (d) *TECHNICAL AMENDMENTS.*—*Section 2607B of such*
22 *Act (42 U.S.C. 8626b) is amended—*

23 (1) *in subsection (e)(2)—*

24 (A) *by redesignating subparagraphs (F)*
25 *through (N) as subparagraphs (E) through (M),*
26 *respectively; and*

1 *(B) in clause (i) of subparagraph (I) (as re-*
2 *designated in subparagraph (A)), by striking*
3 *“on” and inserting “of”; and*
4 *(2) by redesignating subsection (g) as subsection*
5 *(f).*

Amend the title so as to read: “A bill to amend the Community Services Block Grant Act to reauthorize and make improvements to that Act; and to amend the Low-Income Home Energy Assistance Act of 1981 to reauthorize and make improvements to that Act.”.