

105TH CONGRESS
2D SESSION

S. 2206

AMENDMENT

In the House of Representatives, U. S.,

September 14, 1998.

Resolved, That the bill from the Senate (S. 2206) entitled “An Act to amend the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, and the Community Services Block Grant Act to reauthorize and make improvements to those Acts, to establish demonstration projects that provide an opportunity for persons with limited means to accumulate assets, and for other purposes”, do pass with the following

AMENDMENT:

Strike out all after the enacting clause and insert:

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

2 (a) *SHORT TITLE.*—*This Act may be cited as the*
3 *“Human Services Reauthorization Act of 1998”.*

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

Sec. 1. Short title; table of contents.

TITLE I—AMENDMENTS TO THE HEAD START ACT

Sec. 101. Short title.

Sec. 102. Statement of purpose.

Sec. 103. Definitions.

Sec. 104. Financial assistance for Head Start programs.

Sec. 105. Authorization of appropriations.

Sec. 106. Allotment of funds.

Sec. 107. Designation of Head Start agencies.

Sec. 108. Quality standards.

Sec. 201. *Short title.*
 Sec. 202. *Reauthorization.*
 Sec. 203. *Related amendments.*
 Sec. 204. *Assets for independence.*
 Sec. 205. *Effective date; application of amendments.*

Sec. 301. *Short title.*
 Sec. 302. *Authorization.*
 Sec. 303. *Definitions.*
 Sec. 304. *Natural disasters and other emergencies.*
 Sec. 305. *State allotments.*
 Sec. 306. *Administration.*
 Sec. 307. *Payments to States.*
 Sec. 308. *Residential energy assistance challenge option.*

3 **SEC. 101. SHORT TITLE.**

6 SEC. 102. STATEMENT OF PURPOSE.

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1 **“SEC. 636. STATEMENT OF PURPOSE.**

2 *“It is the purpose of this subchapter to promote school*
 3 *readiness by enhancing the social and cognitive develop-*
 4 *ment of low-income children through the provision, to low-*
 5 *income children and their families, of health, educational,*
 6 *nutritional, social, and other services that are determined,*
 7 *based on family needs assessments, to be necessary.”.*

8 **SEC. 103. DEFINITIONS.**

9 *Section 637 of the Head Start Act (42 U.S.C. 9832)*
 10 *is amended—*

11 *(1) by redesignating paragraphs (3) through (14)*
 12 *as paragraphs (4) through (15), respectively;*

13 *(2) in paragraph (2)—*

14 *(i) by striking “, and the Commonwealth of*
 15 *the Northern Mariana Islands”;*

16 *(ii) by inserting “of the United States, and*
 17 *the Commonwealth of the Northern Mariana Is-*
 18 *lands, but for fiscal years ending before October*
 19 *1, 2001, also means” after “Virgin Islands”; and*

20 *(iii) by inserting “and” after “Marshall Is-*
 21 *lands”;*

22 *(3) by inserting after paragraph (2) the follow-*
 23 *ing:*

24 *“(3) The term ‘child with a disability’ means—*

1 “(A) a child with a disability, as defined in
2 section 602(3) of the *Individuals with Disabil-*
3 *ities Education Act*; and

4 “(B) an infant or toddler with a disability,
5 as defined in section 632(5) of such Act.”;

6 (4) by striking paragraph (5) (as redesignated in
7 paragraph (1)) and inserting the following:

8 “(5) The term ‘family literacy services’ means
9 services that—

10 “(A) are provided to participants who re-
11 ceive the services on a voluntary basis;

12 “(B) are of sufficient intensity, and of suffi-
13 cient duration, to make sustainable changes in a
14 family (such as eliminating or reducing depend-
15 ence on income-based public assistance); and

16 “(C) integrate each of—

17 “(i) interactive literacy activities be-
18 tween parents and their children;

19 “(ii) training for parents on being
20 partners with their children in learning;

21 “(iii) parent literacy training, includ-
22 ing training that contributes to economic
23 self-sufficiency; and

1 “(iv) appropriate instruction for chil-
 2 dren of parents receiving the parent literacy
 3 training.”;

4 (5) in paragraph (7) (as redesignated in para-
 5 graph (1)), by adding at the end the following: “Noth-
 6 ing in this paragraph shall be construed to require an
 7 agency to provide services to a child who has not
 8 reached the age of compulsory school attendance for
 9 more than the number of hours per day permitted by
 10 State law for the provision of services to such a
 11 child.”;

12 (6) by striking paragraph (13) (as redesignated
 13 in paragraph (1)) and inserting the following:

14 “(13) The term ‘migrant or seasonal Head Start
 15 program’ means—

16 “(A) with respect to services for migrant
 17 farmworkers, a Head Start program that serves
 18 families who are engaged in agricultural labor
 19 and who have changed their residence from 1 ge-
 20 ographic location to another in the preceding 2-
 21 year period; and

22 “(B) with respect to services for seasonal
 23 farmworkers, a Head Start program that serves
 24 families who are engaged primarily in seasonal
 25 agricultural labor and who have not changed

1 *their residence to another geographic location in*
 2 *the preceding 2-year period.”; and*
 3 *(7) by adding at the end the following:*

4 “(16) *The term ‘reliable and replicable’, used*
 5 *with respect to research, means an objective, valid,*
 6 *scientific study that—*

7 “(A) *includes a rigorously defined sample of*
 8 *subjects, that is sufficiently large and representa-*
 9 *tive to support the general conclusions of the*
 10 *study;*

11 “(B) *relies on measurements that meet es-*
 12 *tablished standards of reliability and validity;*

13 “(C) *is subjected to peer review before the*
 14 *results of the study are published; and*

15 “(D) *discovers effective strategies for en-*
 16 *hancing the development and skills of children.”.*

17 **SEC. 104. FINANCIAL ASSISTANCE FOR HEAD START PRO-**
 18 **GRAMS.**

19 *Section 638(1) of the Head Start Act (42 U.S.C.*
 20 *9833(1)) is amended—*

21 *(1) by striking “aid the” and inserting “enable*
 22 *the”; and*

23 *(2) by striking the semicolon and inserting “and*
 24 *attain school readiness;”.*

1 **SEC. 105. AUTHORIZATION OF APPROPRIATIONS.**

2 *Section 639 of the Head Start Act (42 U.S.C. 9834)*
 3 *is amended—*

4 *(1) in subsection (a)—*

5 *(A) by inserting “\$4,660,000,000 for fiscal*
 6 *year 1999 and” after “subchapter”; and*

7 *(B) by striking “1995 through 1998” and*
 8 *inserting “2000 through 2003”; and*

9 *(2) in subsection (b), by striking paragraphs (1)*
 10 *and (2) and inserting the following:*

11 *“(1) for each of the fiscal years 1999 through*
 12 *2003, not more than \$35,000,000 and not less than*
 13 *the aggregate amount made available to carry out sec-*
 14 *tion 642(d) of this Act and the Head Start Transition*
 15 *Project Act (42 U.S.C. 9855–9855g) for fiscal year*
 16 *1998, to carry out activities authorized under section*
 17 *642A;*

18 *“(2) not more than \$5,000,000 for each of the fis-*
 19 *cal years 1999 through 2003 to carry out impact*
 20 *studies under section 649(g);*

21 *“(3) not more than \$12,000,000 for fiscal year*
 22 *1999, and such sums as may be necessary for each of*
 23 *the fiscal years 2000 through 2003, to carry out other*
 24 *research, demonstration, and evaluation activities, in-*
 25 *cluding longitudinal studies, under section 649; and*

1 “(4) not less than \$5,000,000 for each of the fis-
 2 cal years 1999 through 2003, to carry out activities
 3 authorized under section 648B.”.

4 **SEC. 106. ALLOTMENT OF FUNDS.**

5 (a) *ALLOTMENTS*.—Section 640(a) of the Head Start
 6 Act (42 U.S.C. 9835(a)) is amended—

7 (1) in paragraph (2)—

8 (A) in subparagraph (A)—

9 (i) by striking “and migrant” the 1st
 10 place it appears and all that follows
 11 through “handicapped children”, and in-
 12 serting “Head Start programs and services
 13 for children with disabilities and migrant
 14 or seasonal Head Start programs”; and

15 (ii) by striking “and migrant” each
 16 other place it appears and inserting “Head
 17 Start programs and by migrant or sea-
 18 sonal”; and

19 (iii) by striking “1994” and inserting
 20 “1998”;

21 (B) in subparagraph (B) by striking “(B)
 22 payments” and all that follows through “Virgin
 23 Islands” and inserting the following:

24 “(B) payments, subject to paragraph (7)—

1 “(i) to Guam, American Samoa, the Com-
 2 monwealth of the Northern Mariana Islands, and
 3 the Virgin Islands of the United States; and

4 “(ii) for fiscal years ending before October
 5 1, 2001, to the Federated States of Micronesia,
 6 the Republic of the Marshall Islands, and
 7 Palau;”;

8 (C) in subparagraph (C), by striking “and”
 9 at the end;

10 (D) in subparagraph (D), by striking “re-
 11 lated to the development and implementation of
 12 quality improvement plans under section
 13 641A(d)(2)).” and inserting “carried out under
 14 paragraph (1), (2), or (3) of section 641A(d) re-
 15 lating to correcting deficiencies and conducting
 16 proceedings to terminate the designation of Head
 17 Start agencies); and”;

18 (E) by inserting after subparagraph (D) the
 19 following:

20 “(E) payments for research and evaluation ac-
 21 tivities under section 649.”; and

22 (F) by adding at the end the following: “In
 23 carrying out this subchapter, the Secretary shall
 24 continue the administrative arrangement respon-
 25 sible for meeting the needs of children of migrant

1 *and seasonal farmworkers and Indian children,*
 2 *and shall ensure that appropriate funding is*
 3 *provided to meet such needs.”;*

4 *(2) in paragraph (3)—*

5 *(A) in subparagraph (A)(i) by striking*
 6 *“equal” and all that follows through “activities”*
 7 *and inserting “subject to subsection (m)”;*

8 *(B) in subparagraph (B)—*

9 *(i) in clause (ii)—*

10 *(I) by striking “adequate quali-*
 11 *fied staff” and inserting “adequate*
 12 *numbers of qualified staff”; and*

13 *(II) by inserting “and children*
 14 *with disabilities” before “, when”;*

15 *(ii) in clause (iv) by inserting “and to*
 16 *encourage the staff to continually improve*
 17 *their skills and expertise by informing staff*
 18 *of the availability of State and Federal loan*
 19 *forgiveness programs for professional devel-*
 20 *opment” before the period at the end;*

21 *(iii) in clause (v) by inserting “and*
 22 *collaboration efforts for such programs” be-*
 23 *fore the period at the end; and*

24 *(iv) by amending clause (vi) to read as*
 25 *follows:*

1 “(vi) *Ensuring that such programs have ade-*
 2 *quate numbers of qualified staff that can promote lan-*
 3 *guage skills and literacy growth of children and that*
 4 *provide children with a variety of skills that have*
 5 *been identified, through research that is reliable and*
 6 *replicable, as predictive of later reading achieve-*
 7 *ment.*”; and

8 (C) in subparagraph (C)—

9 (i) in clause (i)(I)—

10 (I) by striking “of staff” and in-
 11 serting “of classroom teachers and
 12 other staff”; and

13 (II) by striking “such staff” and
 14 inserting “qualified staff, including re-
 15 cruitment and retention pursuant to
 16 achieving the requirements set forth in
 17 section 648A(a)”;

18 (ii) by redesignating subclause (II) as
 19 subclause (III);

20 (iii) by inserting after subclause (I) the
 21 following:

22 “(II) *Preferences in awarding salary increases,*
 23 *in excess of cost of living allowances, shall be granted*
 24 *to classroom teachers and staff who obtain additional*

1 *training or education related to their responsibilities*
2 *as employees of a Head Start program.”;*

3 *(iv) by amending clause (ii) to read as*
4 *follows:*

5 *“(ii) Of the amount remaining after carrying*
6 *out clause (i), the highest priority shall be placed on*
7 *training classroom teachers and other staff to meet the*
8 *education performance standards described in section*
9 *641A(a)(1)(B), through activities—*

10 *“(I) to promote children’s language and lit-*
11 *eracy growth, through techniques identified*
12 *through reliable, replicable research;*

13 *“(II) to promote the acquisition of the*
14 *English language for non-English background*
15 *children and families;*

16 *“(III) to foster children’s school readiness*
17 *skills through activities described in section*
18 *648A(a)(1); and*

19 *“(IV) to provide training necessary to im-*
20 *prove the qualifications of the staff of the Head*
21 *Start agencies and to support staff training,*
22 *child counseling, and other services necessary to*
23 *address the problems of children participating in*
24 *Head Start programs, including children from*
25 *dysfunctional families, children who experience*

1 *chronic violence in their communities, and chil-*
 2 *dren who experience substance abuse in their*
 3 *families.”;*

4 *(v) by striking clause (v);*

5 *(vi) by redesignating clause (vi) as*
 6 *clause (v); and*

7 *(vii) by inserting after clause (v), as so*
 8 *redesignated, the following:*

9 *“(vi) To carry out any or all of such activities,*
 10 *but none of such funds may be used for construction*
 11 *or renovation (including nonstructural or minor*
 12 *structural changes).”;*

13 *(D) in subparagraph (D)(i)(II) by striking*
 14 *“and migrant” and inserting “Head Start pro-*
 15 *grams and by migrant or seasonal”;*

16 *(3) in paragraph (4)—*

17 *(A) in subparagraph (A), by striking*
 18 *“1981” and inserting “1998”;*

19 *(B) by amending subparagraph (B) to read*
 20 *as follows:*

21 *“(B) any amount available after all allotments*
 22 *are made under subparagraph (A) for such fiscal year*
 23 *shall be distributed proportionately on the basis of the*
 24 *number of children less than 5 years of age who live*

1 *with families whose income is below the poverty*
 2 *line.”; and*

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

4 *“For each fiscal year the Secretary shall use the most recent*
 5 *data available on the number of children under the age of*
 6 *5, from families below the poverty level that is consistent*
 7 *with that published for counties, by the Department of Com-*
 8 *merce, unless the Secretary and the Secretary of Commerce*
 9 *determine that use of the updated poverty data would be*
 10 *inappropriate or unreliable. If the Secretary and the Sec-*
 11 *retary of Commerce determine that some or all of the data*
 12 *referred to in this paragraph are inappropriate or unreli-*
 13 *able, they shall issue a report setting forth their reasons in*
 14 *detail.”;*

15 *(4) in paragraph (5)—*

16 *(A) in subparagraph (B), by inserting be-*
 17 *fore the period the following “and encourage*
 18 *Head Start agencies to actively collaborate with*
 19 *entities involved in State and local planning*
 20 *processes in order to better meet the needs of low-*
 21 *income children and families”;*

22 *(B) in subparagraph (C)—*

23 *(i) in clause (i)(I), by inserting “the*
 24 *appropriate regional office of the Adminis-*

1 *tration for Children and Families and” be-*
 2 *fore “agencies”;*

3 *(ii) in clause (iii), by striking “and”*
 4 *at the end;*

5 *(iii) in clause (iv)—*

6 *(I) by striking “education, and*
 7 *national service activities,” and insert-*
 8 *ing “and education and community*
 9 *service activities,”;*

10 *(II) by striking “and activities”*
 11 *and inserting “activities”; and*

12 *(III) by striking the period and*
 13 *inserting “(including coordination*
 14 *with those State officials who are re-*
 15 *sponsible for administering part C and*
 16 *section 619 of the Individuals with*
 17 *Disabilities Education Act (20 U.S.C.*
 18 *1431–1445, 1419)), and services for*
 19 *homeless children;”; and*

20 *(iv) by adding at the end the following:*

21 *“(v) include representatives of the State Head*
 22 *Start Association and local Head Start agencies in*
 23 *unified planning regarding early care and education*
 24 *services at both the State and local levels, including*
 25 *collaborative efforts to plan for the provision of full-*

1 *working-day, full-calendar-year early care and edu-*
 2 *cation services for children;*

3 “(vi) encourage local Head Start agencies to ap-
 4 point a State level representative to speak on behalf
 5 of Head Start agencies within the State on collabo-
 6 rative efforts described in subparagraphs (B) and (D),
 7 and in clause (v); and

8 “(vii) encourage Head Start agencies to collabo-
 9 rate with entities involved in State and local plan-
 10 ning processes (including the State lead agency ad-
 11 ministering the financial assistance received under
 12 the Child Care and Development Block Grant Act of
 13 1990 (42 U.S.C. 9858 et seq.) and the entities provid-
 14 ing resource and referral services in the State) in
 15 order to better meet the needs of low-income children
 16 and families.”;

17 (C) by redesignating subparagraph (D) as
 18 subparagraph (F); and

19 (D) by inserting after subparagraph (C) the
 20 following:

21 “(D) Following the award of collaboration grants de-
 22 scribed in subparagraph (B), the Secretary shall provide,
 23 from the reserved sums, supplemental funding for collabora-
 24 tion grants—

1 “(i) to States that develop statewide, regional, or
2 local unified plans for early childhood education and
3 child care that include the participation of Head
4 Start agencies; and

5 “(ii) to States that engage in other innovative
6 collaborative initiatives, including plans for collabora-
7 tive training and professional development initia-
8 tives for child care, early childhood education and
9 Head Start service managers, providers, and staff.

10 “(E)(i) The Secretary shall—

11 “(I) review on an ongoing basis evidence of bar-
12 riers to effective collaboration between Head Start
13 programs and other Federal child care and early
14 childhood education programs and resources;

15 “(II) develop initiatives, including providing ad-
16 ditional training and technical assistance and mak-
17 ing regulatory changes, in necessary cases, to elimi-
18 nate barriers to the collaboration; and

19 “(III) develop a mechanism to resolve adminis-
20 trative and programmatic conflicts between such pro-
21 grams that would be a barrier to service providers,
22 parents, or children, related to the provision of uni-
23 fied services in the consolidation of funding for child
24 care services.

1 “(ii) *In the case of a collaborative activity funded*
 2 *under this subchapter and another provision of law provid-*
 3 *ing for Federal child care or early childhood education, the*
 4 *use of equipment and nonconsumable supplies purchased*
 5 *with funds made available under this subchapter or such*
 6 *provision shall not be restricted to children enrolled or oth-*
 7 *erwise participating in the program carried out under that*
 8 *subchapter or provision, during a period in which the activ-*
 9 *ity is predominantly funded under this subchapter or such*
 10 *provision.”;*

11 (5) *by amending paragraph (6) to read as fol-*
 12 *lows:*

13 “(6)(A) *From the amounts reserved and allotted pur-*
 14 *suant to paragraphs (2) and (4), and except as provided*
 15 *in subparagraph (C)(i), the Secretary shall use for grants*
 16 *for programs described in section 645A(a) a portion of the*
 17 *combined total of such amount equal to—*

18 “(i) *7.5 percent for fiscal year 1999;*

19 “(ii) *8 percent for fiscal year 2000;*

20 “(iii) *8.5 percent for fiscal year 2001;*

21 “(iv) *not less than 8.5 and not more than 10*
 22 *percent for fiscal year 2002; and*

23 “(v) *not less than 8.5 and not more than 10 per-*
 24 *cent for fiscal year 2003;*

1 *of the amount appropriated pursuant to section 639(a) for*
 2 *the respective fiscal year.*

3 “(B) *If the Secretary does not submit to—*

4 “(i) *the Committee on Education and the Work-*
 5 *force and the Committee on Appropriations of the*
 6 *House of Representatives; and*

7 “(ii) *to the Committee on Labor and Human Re-*
 8 *sources and the Committee on Appropriations of the*
 9 *Senate;*

10 *by January 1, 2001, a report on the results of the Early*
 11 *Head Start impact study currently being conducted by the*
 12 *Secretary, then the amount required to be used in accord-*
 13 *ance with subparagraph (A) for fiscal years 2002 and 2003*
 14 *shall be 8.5 percent of the amount appropriated pursuant*
 15 *to section 639(a) for the respective fiscal year.*

16 “(C)(i) *For any fiscal year for which the Secretary de-*
 17 *termines that the amount appropriated under section*
 18 *639(a) is not sufficient to permit the Secretary to use the*
 19 *portion described in subparagraph (A) without reducing the*
 20 *number of children served by Head Start programs or nega-*
 21 *tively impacting the quality of Head Start services, relative*
 22 *to the number of children served and the quality of the serv-*
 23 *ices during the preceding fiscal year, the Secretary may re-*
 24 *duce the percentage of funds required to be used as the por-*
 25 *tion described in subparagraph (A) for the fiscal year for*

1 *which the determination is made, but not below the percent-*
 2 *age required to be so used for the preceding fiscal year.*

3 “(ii) *For any fiscal year for which the amount appro-*
 4 *priated under section 639(a) requires a reduction in the*
 5 *amount made available under this subchapter to Head*
 6 *Start agencies and entities described in section 645A, rel-*
 7 *ative to the amount made available to the agencies and enti-*
 8 *ties for the preceding fiscal year, adjusted as described in*
 9 *paragraph (3)(A)(ii), the Secretary shall proportionately*
 10 *reduce—*

11 “(I) *the amounts made available to the entities*
 12 *for programs carried out under section 645A; and*

13 “(II) *the amounts made available to Head Start*
 14 *agencies for Head Start programs.”; and*

15 (6) *by redesignating paragraph (7) as para-*
 16 *graph (8); and*

17 (7) *by inserting after paragraph (6) the follow-*
 18 *ing:*

19 “(7)(A) *For purposes of paragraph (2)(A), in de-*
 20 *termining the need and demand for migrant or sea-*
 21 *sonal Head Start programs (and services provided*
 22 *through such programs), the Secretary shall consult*
 23 *with appropriate entities, including providers of serv-*
 24 *ices for migrant or seasonal Head Start programs.*
 25 *The Secretary shall, after taking into consideration*

1 *the need and demand for migrant or seasonal Head*
2 *Start programs (and such services), ensure that there*
3 *is an adequate level of such services for eligible chil-*
4 *dren of migrant farmworkers before approving an in-*
5 *crease in the allocation provided for unserved eligible*
6 *children of seasonal farmworkers. In serving the chil-*
7 *dren of seasonal farmworkers, the Secretary shall en-*
8 *sure that services provided by migrant or seasonal*
9 *Head Start programs do not duplicate or overlap*
10 *with other Head Start services available in the same*
11 *geographical area.*

12 “(B)(i) *Funds available under this subsection for*
13 *payments to the Federated States of Micronesia, the*
14 *Republic of the Marshall Islands, and Palau shall be*
15 *used by the Secretary to make grants on a competi-*
16 *tive basis, pursuant to recommendations submitted to*
17 *the Secretary by the Pacific Region Educational Lab-*
18 *oratory of the Department of Education, to the Fed-*
19 *erated States of Micronesia, the Republic of the Mar-*
20 *shall Islands, Palau, Guam, American Samoa, and*
21 *the Commonwealth of the Northern Mariana Islands,*
22 *for the purpose of carrying out Head Start programs*
23 *in accordance with this subchapter.*

24 “(ii) *Not more than 5 percent of such funds may*
25 *be used by the Secretary to compensate the Pacific*

1 *Region Educational Laboratory of the Department of*
 2 *Education for administrative costs incurred in con-*
 3 *nection with making recommendations under clause*
 4 *(i).*

5 *“(iii) Notwithstanding any other provision of*
 6 *law, the Federated States of Micronesia, the Republic*
 7 *of the Marshall Islands, and Palau shall not receive*
 8 *any funds under this subchapter for any fiscal year*
 9 *that begins after September 30, 2001.”.*

10 *(b) CHILDREN WITH DISABILITIES.—Section 640(d)*
 11 *of the Head Start Act (42 U.S.C. 9835(d)) is amended—*

12 *(1) by striking “1982” and inserting “1999”;*

13 *(2) by striking “(as defined in section 602(a) of*
 14 *the Individuals with Disabilities Education Act)”;*
 15 *and*

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

17 *“Such policies and procedures shall require Head Start pro-*
 18 *grams to coordinate programmatic efforts with efforts to*
 19 *implement part C and section 619 of the Individuals with*
 20 *Disabilities Education Act (20 U.S.C 1431–1445, 1419).”.*

21 *(c) INCREASED APPROPRIATIONS.—Section 640(g) of*
 22 *the Head Start Act (42 U.S.C. 9835(g)) is amended—*

23 *(1) in paragraph (1), by inserting at the end the*
 24 *following: “In awarding funds to serve an increased*
 25 *number of children, the Secretary shall give priority*

1 to those applicants that provide full-working-day,
 2 full-calendar year Head Start services through col-
 3 laboration with entities carrying out programs that
 4 are in existence on the date of the allocation and with
 5 other private, nonprofit agencies. Any such additional
 6 funds remaining may be used to make nonstructural
 7 and minor structural changes, and to acquire and in-
 8 stall equipment, for the purpose of improving facili-
 9 ties necessary to expand the availability of Head
 10 Start programs and to serve an increased number of
 11 children.”;

12 (2) in paragraph (2)—

13 (A) in subparagraph (A), by striking the
 14 semicolon and inserting “, and the performance
 15 history of the applicant in providing services
 16 under other Federal programs (other than the
 17 program carried out under this subchapter);”;

18 (B) in subparagraph (C), by striking the
 19 semicolon and inserting “, and organizations
 20 and public entities serving children with disabil-
 21 ities;”;

22 (C) in subparagraph (D), by striking the
 23 semicolon and inserting “and the extent to
 24 which, and manner in which, the applicant dem-
 25 onstrates the ability to collaborate and partici-

1 *pate with other local community providers of*
 2 *child care or preschool services to provide full-*
 3 *working-day full-calendar-year services;”;*

4 *(D) in subparagraph (E), by striking “pro-*
 5 *gram; and” and inserting “or any other early*
 6 *childhood program;”;*

7 *(E) in subparagraph (F), by striking the*
 8 *period and inserting a semicolon; and*

9 *(F) by adding at the end the following:*

10 *“(G) the extent to which the applicant proposes*
 11 *to foster partnerships with other service providers in*
 12 *a manner that will enhance the resource capacity of*
 13 *the applicant; and*

14 *“(H) the extent to which the applicant, in pro-*
 15 *viding services, will plan to coordinate with the local*
 16 *educational agency serving the community involved*
 17 *and with schools in which children participating in*
 18 *a Head Start program operated by such agency will*
 19 *enroll following such program, regarding the edu-*
 20 *cation services provided by such local educational*
 21 *agency.”;*

22 *(3) in paragraph (3) by striking “In” and in-*
 23 *serting “Subject to subsection (m), in”; and*

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

1 “(4) Notwithstanding subsection (a)(2), after taking
 2 into account subsection (a)(1), the Secretary may allocate
 3 a portion of the remaining additional funds under sub-
 4 section (a)(2)(A) for the purpose of increasing funds avail-
 5 able for activities described in such subsection.”.

6 (d) *REFERENCES*.—Section 640(l) of the Head Start
 7 Act (42 U.S.C. 9835(l)) is amended by inserting “or sea-
 8 sonal” after “migrant” each place it appears.

9 (e) *RELATIVE AVAILABILITY OF FUNDS FOR QUALITY*
 10 *AND FOR EXPANSION*.—Section 640 of the Head Start Act
 11 (42 U.S.C. 9835) is amended by adding at the end the fol-
 12 lowing:

13 “(m)(1) After complying with the requirement in sub-
 14 section (g)(1) relating to maintaining the level of services
 15 provided during the previous year, the Secretary shall make
 16 the amount (if any) by which the funds appropriated under
 17 section 639(a) for a fiscal year exceed the adjusted prior
 18 year appropriation (as defined in subsection (a)(3)(ii)),
 19 available as follows:

<i>“For Fiscal Year:</i>	<i>Percent of Amount Exceeding Adjusted Prior Year Approp- riation To Be Available for Qual- ity Activities Under Subsection (a)(3)(C):</i>	<i>Percent of Amount Exceed- ing Adjusted Prior Year Approp- riation To Be Available for Ex- pansion Activities Under Subsection (g):</i>	<i>Percent of Amount Exceeding Ad- justed Prior Year Appropriation To Be Available to Qualifying Head Start Programs for Quality and Expansion Activi- ties Under Sub- sections (a)(3)(C) and (g)</i>
1999	65	25	10
2000	65	25	10
2001	45	45	10
2002	45	45	10

“For Fiscal Year:	Percent of Amount Exceeding Adjusted Prior Year Approp- riation To Be Available for Qual- ity Activities Under Subsection (a)(3)(C):	Percent of Amount Exceed- ing Adjusted Prior Year Approp- riation To Be Available for Ex- pansion Activities Under Subsection (g):	Percent of Amount Exceeding Ad- justed Prior Year Appropriation To Be Available to Qualifying Head Start Programs for Quality and Expansion Activi- ties Under Sub- sections (a)(3)(C) and (g)
2003	25	65	10.

1 “(2) For purposes of paragraph (1), the term ‘qualify-
2 ing Head Start program’ means a Head Start agency or
3 Head Start program that is—

4 “(A) in compliance with the quality standards
5 and result-based performance measures applicable
6 under subsections (a) and (b) of section 641A;

7 “(B) not required under subsection (d) of such
8 section to take a corrective action; and

9 “(C) making progress toward complying with re-
10 quirements applicable under section 648A(a)(2).

11 “(3) Funds required to be made available under this
12 subsection to qualifying Head Start programs shall be made
13 available on the same basis as allotments are determined
14 under subsection (a)(4).”.

15 (f) **CONFORMING AMENDMENT.**—Section 644(f)(2) of
16 the Head Start Act (42 U.S.C. 9839(f)(2)) is amended by
17 striking “640(a)(3)(C)(v)” and inserting “640(g)”.

18 **SEC. 107. DESIGNATION OF HEAD START AGENCIES.**

19 Section 641 of the Head Start Act (42 U.S.C. 9836)
20 is amended—

1 (1) in subsection (a) by inserting “(in consulta-
 2 tion with the chief executive officer of the State in-
 3 volved, if such State expends non-Federal funds to
 4 carry out Head Start programs)” after “Secretary”
 5 the last place it appears;

6 (2) in subsection (b) by striking “area designated
 7 by the Bureau of Indian Affairs as near-reservation”
 8 and inserting “off-reservation area designated by an
 9 appropriate tribal government”;

10 (3) in subsection (c)—

11 (A) in paragraph (1)—

12 (i) by inserting “, in consultation with
 13 the chief executive officer of the State if such
 14 State expends non-Federal funds to carry
 15 out Head Start programs,” after “shall”;
 16 and

17 (ii) by striking “makes a finding” and
 18 all that follows through the period at the
 19 end, and inserting the following:

20 “determines that the agency involved fails to meet program
 21 and financial management requirements, performance
 22 standards described in section 641A(a)(1), results-based
 23 performance measures described in section 641A(b), and
 24 other requirements established by the Secretary.”;

1 (B) in paragraph (2), by inserting “, in
 2 consultation with the chief executive officer of the
 3 State if such State expends non-Federal funds to
 4 carry out Head Start programs,” after “shall”;
 5 and

6 (C) by aligning the left margin of para-
 7 graphs (2) and (3) with the left margin of para-
 8 graph (1); and
 9 (4) in subsection (d)—

10 (A) in the matter preceding paragraph (1),
 11 by inserting after the 1st sentence the following:
 12 *“In selecting from among qualified applicants for designa-
 13 tion as a Head Start agency, the Secretary shall give prior-
 14 ity to any qualified agency that functioned as a Head Start
 15 delegate agency in the community and carried out a Head
 16 Start program that the Secretary determines met or exceed-
 17 ed such performance standards and such results-based per-
 18 formance measures.”;*

19 (B) in paragraph (3) by inserting “and
 20 programs under part C and section 619 of the
 21 Individuals with Disabilities Education Act (20
 22 U.S.C 1431–1445, 1419)” after “(20 U.S.C. 2741
 23 et seq.)”;

24 (C) in paragraph (4)—

1 (i) in subparagraph (A), by inserting
 2 “(at home and in the center involved where
 3 practicable)” after “activities”;

4 (ii) in subparagraph (D)—

5 (I) in clause (iii) by adding “or”
 6 at the end;

7 (II) by striking clause (iv); and

8 (III) by redesignating clause (v)
 9 as clause (iv);

10 (iii) in subparagraph (E) by striking
 11 “and (D)” and inserting “and (E)”;

12 (iv) by redesignating subparagraphs
 13 (D) and (E) and subparagraphs (E) and
 14 (F), respectively; and

15 (v) by inserting after subparagraph
 16 (C) the following:

17 “(D) to offer to parents of participating
 18 children substance abuse counseling (either di-
 19 rectly or through referral to local entities), in-
 20 cluding information on drug-exposed infants and
 21 fetal alcohol syndrome;”;

22 (D) by amending paragraph (7) to read as
 23 follows:

24 “(7) the plan of such applicant to meet the needs
 25 of non-English background children and their fami-

1 *lies, including needs related to the acquisition of the*
 2 *English language;”;*

3 *(E) in paragraph (8)—*

4 *(i) by striking the period at the end*
 5 *and inserting “; and”; and*

6 *(ii) by redesignating such paragraph*
 7 *as paragraph (9);*

8 *(F) by inserting after paragraph (7) the fol-*
 9 *lowing:*

10 *“(8) the plan of such applicant to meet the needs*
 11 *of children with disabilities;”; and*

12 *(G) by adding at the end the following:*

13 *“(10) the plan of such applicant to collaborate*
 14 *with other entities carrying out early childhood edu-*
 15 *cation and child care programs in the community.”;*
 16 *and*

17 *(5) by amending subsection (e) to read as fol-*
 18 *lows:*

19 *“(e) If no agency in the community receives priority*
 20 *designation and if there is no qualified applicant in the*
 21 *community, then the Secretary shall designate an agency*
 22 *to carry out the Head Start program in the community*
 23 *on an interim basis until a qualified applicant from the*
 24 *community is so designated.”.*

1 **SEC. 108. QUALITY STANDARDS.**

2 (a) *QUALITY STANDARDS.*—Section 641A(a) of the
3 *Head Start Act* (42 U.S.C. 9836a(a)) is amended—

4 (1) in paragraph (1)—

5 (A) in the matter preceding subparagraph
6 (A), by inserting “, including minimum levels of
7 overall accomplishment,” after “regulation
8 standards”;

9 (B) in subparagraph (A), by striking “edu-
10 cation,”;

11 (C) by redesignating subparagraphs (B)
12 through (D) as subparagraphs (C) through (E),
13 respectively; and

14 (D) by inserting after subparagraph (A) the
15 following:

16 “(B)(i) education performance standards to
17 ensure the school readiness of children partici-
18 pating in a Head Start program, on completion
19 of the Head Start program and prior to entering
20 school; and

21 “(ii) additional school readiness perform-
22 ance standards (based on cognitive learning
23 abilities) to ensure that the children participat-
24 ing in the program, at a minimum—

25 “(I) develop phonemic, print, and
26 numeracy awareness;

1 “(II) understand and use oral lan-
2 guage to communicate for different pur-
3 poses;

4 “(III) understand and use increasingly
5 complex and varied vocabulary;

6 “(IV) develop and demonstrate an ap-
7 preciation of books; and

8 “(V) in the case of non-English back-
9 ground children, progress toward acquisi-
10 tion of the English language.”;

11 (2) by striking paragraph (2);

12 (3) in paragraph (3)—

13 (A) in subparagraph (B)(iii) by striking
14 “child” and inserting “early childhood education
15 and”; and

16 (B) in subparagraph (C)—

17 (i) in clause (i)—

18 (I) by striking “not later than 1
19 year after the date of enactment of this
20 section,”; and

21 (II) by striking “section 651(b)”
22 and all that follows through “section”
23 and inserting “this subsection”; and

24 (ii) in subclause (ii), by striking “No-
25 vember 2, 1978” and inserting “the date of

1 *enactment of the Head Start Amendments*
 2 *Act of 1998”; and*

3 *(4) by redesignating paragraphs (3) and (4) as*
 4 *paragraphs (2) and (3), respectively.*

5 *(b) PERFORMANCE MEASURES.—Section 641A(b) of*
 6 *the Head Start Act (42 U.S.C. 9836a(b)) is amended—*

7 *(1) in the heading, by inserting “RESULTS-*
 8 *BASED” before “PERFORMANCE”;*

9 *(2) in paragraph (1)—*

10 *(A) by striking “Not later than 1 year after*
 11 *the date of enactment of this section, the” and*
 12 *inserting “The”;*

13 *(B) by striking “child” and inserting “early*
 14 *childhood education and”;* and

15 *(C) by striking the period at the end and*
 16 *inserting “, and the impact of the services pro-*
 17 *vided through the programs to children and their*
 18 *families.”;*

19 *(3) in paragraph (2)—*

20 *(A) in the heading, by striking “DESIGN”*
 21 *and inserting “CHARACTERISTICS”;*

22 *(B) in the matter preceding subparagraph*
 23 *(A), by striking “be designed” and inserting “in-*
 24 *clude the education and school-based readiness*

1 *performance standards described in subsection*
 2 *(a)(1)(B) and shall”;*

3 *(C) in subparagraph (A), by striking “to*
 4 *assess” and inserting “assess the impact of”;*

5 *(D) in subparagraph (B)—*

6 *(i) by striking “to”;*

7 *(ii) by striking “and peer review” and*
 8 *inserting “, peer review, and program eval-*
 9 *uation”;* and

10 *(iii) by inserting “not later than Jan-*
 11 *uary 1, 1999” before the semicolon at the*
 12 *end; and*

13 *(E) in subparagraph (C), by inserting “be*
 14 *developed” before “for other”;*

15 *(4) in paragraph (3)(A) by striking “and by re-*
 16 *gion” and inserting “, regionally, and locally”;* and

17 *(5) by adding at the end the following:*

18 *“(4) REQUIRED RESULTS-BASED PERFORMANCE*
 19 *MEASURES.—Such results-based performance meas-*
 20 *ures shall ensure that such children—*

21 *“(A) know that letters of the alphabet are a*
 22 *special category of visual graphics that can be*
 23 *individually named;*

24 *“(B) recognize a word as a unit of print;*

1 “(C) identify at least 10 letters of the alpha-
2 bet; and

3 “(D) associate sounds with written words.

4 “(5) OTHER RESULTS-BASED PERFORMANCE
5 MEASURES.—In addition to other applicable results-
6 based performance measures, Head Start agencies
7 may establish their own results-based school readiness
8 performance measures.”.

9 (c) MONITORING.—Section 641A(c) of the Head Start
10 Act (42 U.S.C. 9836a(c)) is amended—

11 (1) in paragraph (1) by inserting “and results-
12 based performance measures” after “standards”; and

13 (2) in paragraph (2)

14 (A) in subparagraph (B), by striking “and”
15 at the end;

16 (B) in subparagraph (C)—

17 (i) by inserting “(including children
18 with disabilities)” after “eligible children”;

19 and

20 (ii) by striking the period at the end
21 and inserting a semicolon; and

22 (C) by adding at the end the following:

23 “(D) include as part of the reviews of the
24 programs, a review and assessment of program
25 effectiveness, as measured in accordance with the

1 *results-based performance measures developed*
 2 *pursuant to subsection (b) and with the perform-*
 3 *ance standards established pursuant to subpara-*
 4 *graphs (A) and (B) of subsection (a)(1); and*

5 *“(E) seek information from the community*
 6 *and the State about the performance of the pro-*
 7 *gram and its efforts to collaborate with other en-*
 8 *tities carrying out early childhood education and*
 9 *child care programs in the community.”.*

10 *(d) TERMINATION.—Section 641A(d) of the Head Start*
 11 *Act (42 U.S.C. 9836a(d)) is amended—*

12 *(1) in paragraph (1)—*

13 *(A) by inserting “or results-based perform-*
 14 *ance measures described in subsection (b)” after*
 15 *“subsection (a)”;* and

16 *(B) by amending subparagraph (B) to read*
 17 *as follows:*

18 *“(B) with respect to each identified defi-*
 19 *ciency, require the agency—*

20 *“(i) to correct the deficiency imme-*
 21 *diately, if the Secretary finds that the defi-*
 22 *ciency threatens the health or safety of staff*
 23 *or program participants or poses a threat*
 24 *to the integrity of Federal funds;*

1 “(ii) to correct the deficiency not later
 2 than 90 days after the identification of the
 3 deficiency if the Secretary finds, in the dis-
 4 cretion of the Secretary, that such a 90-day
 5 period is reasonable, in light of the nature
 6 and magnitude of the deficiency; or

7 “(iii) in the discretion of the Secretary
 8 (taking into consideration the seriousness of
 9 the deficiency and the time reasonably re-
 10 quired to correct the deficiency) to comply
 11 with the requirements of paragraph (2) con-
 12 cerning a quality improvement plan; and”;
 13 and

14 (2) in paragraph (2)(A), in the matter preceding
 15 clause (i), by striking “immediately” and inserting
 16 “immediately or during a 90-day period under clause
 17 (i) or (ii) of paragraph (1)(B)”.

18 (e) *REPORT*.—Section 641A(e) of the Head Start Act
 19 (42 U.S.C. 9836a(e)) is amended by adding at the end the
 20 following: “Such report shall be widely disseminated and
 21 available for public review in both written and electronic
 22 formats.”.

1 **SEC. 109. POWERS AND FUNCTIONS OF HEAD START AGEN-**
 2 **CIES.**

3 *Section 642 of the Head Start Act (42 U.S.C. 9837)*
 4 *is amended—*

5 *(1) in subsection (b)—*

6 *(A) in paragraph (6)—*

7 *(i) by striking subparagraph (D); and*

8 *(ii) by redesignating subparagraphs*

9 *(E) and (F) and subparagraphs (D) and*

10 *(E), respectively;*

11 *(B) in paragraph (8) by striking “and” at*

12 *the end;*

13 *(C) in paragraph (9) by striking the period*

14 *at the end and inserting “; and”;*

15 *(D) by redesignating paragraphs (6)*

16 *through (9) as paragraphs (7) through (10), re-*

17 *spectively;*

18 *(E) by inserting after paragraph (5) the fol-*

19 *lowing:*

20 *“(6) offer to parents of participating children*

21 *substance abuse counseling (either directly or through*

22 *referral to local entities), including information on*

23 *drug-exposed infants and fetal alcohol syndrome;”;*

24 *and*

25 *(F) by adding at the end the following:*

1 “(11)(A) inform custodial parents in single-par-
 2 ent families that participate in programs, activities,
 3 or services carried out under this subtitle about the
 4 availability of child support services for purposes of
 5 establishing paternity and acquiring child support;

6 “(B) refer eligible parents to the child support
 7 offices of State and local governments; and

8 “(C) establish referral arrangements with such
 9 offices.”;

10 (2) in subsection (c)—

11 (A) by inserting “and collaborate” after
 12 “coordinate”;

13 (B) by inserting “and part C and section
 14 619 of the Individuals with Disabilities Edu-
 15 cation Act (20 U.S.C 1431–1445, 1419)” after
 16 “(20 U.S.C. 2741 et seq.)”; and

17 (C) by striking “section 402(g) of the Social
 18 Security Act, and other” and inserting “the
 19 State program carried out under the Child Care
 20 and Development Block Grant Act of 1990 (42
 21 U.S.C. 9858 et seq.), and other early childhood
 22 education and development”; and

23 (3) in subsection (d)—

24 (A) in paragraph (1)—

- 1 (i) by striking “carry out” and all that
 2 follows through “maintain” and inserting
 3 “take steps to ensure, to the maximum ex-
 4 tent possible, that children maintain”;
- 5 (ii) by inserting “and educational”
 6 after “developmental”; and
- 7 (iii) by striking “to build” and insert-
 8 ing “build”;
- 9 (B) by striking paragraph (2); and
- 10 (C) by redesignating paragraphs (3)
 11 through (5) as paragraphs (2) through (4), re-
 12 spectively.

13 **SEC. 110. HEAD START TRANSITION.**

14 *The Head Start Act (42 U.S.C. 9831 et seq.) is amend-*
 15 *ed by inserting after section 642 the following:*

16 **“SEC. 642A. HEAD START TRANSITION.**

17 *“Each Head Start agency shall take steps to coordi-*
 18 *nate with the local educational agency serving the commu-*
 19 *nity involved and with schools in which children partici-*
 20 *pating in a Head Start program operated by such agency*
 21 *will enroll following such program, including—*

22 *“(1) developing and implementing a systematic*
 23 *procedure for transferring, with parental consent,*
 24 *Head Start program records for each participating*
 25 *child to the school in which such child will enroll;*

1 “(2) *establishing channels of communication be-*
2 *tween Head Start staff and their counterparts in the*
3 *schools (including teachers, social workers, and health*
4 *staff) to facilitate coordination of programs;*

5 “(3) *conducting meetings involving parents, kin-*
6 *dergarten or elementary school teachers, and Head*
7 *Start program teachers to discuss the educational, de-*
8 *velopmental, and other needs of individual children;*

9 “(4) *organizing and participating in joint tran-*
10 *sition-related training of school staff and Head Start*
11 *staff;*

12 “(5) *developing and implementing a family out-*
13 *reach and support program in cooperation with enti-*
14 *ties carrying out parental involvement efforts under*
15 *title I of the Elementary and Secondary Education*
16 *Act of 1965 (20 U.S.C. 6301 et seq.);*

17 “(6) *assisting families, administrators, and*
18 *teachers in enhancing educational and developmental*
19 *continuity between Head Start services and elemen-*
20 *tary school classes; and*

21 “(7) *linking the services provided in such pro-*
22 *gram with the education services provided by such*
23 *local education agency.”.*

1 **SEC. 111. SUBMISSION OF PLANS TO GOVERNORS.**

2 *The first sentence of section 643 of the Head Start Act*
 3 *(42 U.S.C. 9838) is amended—*

4 *(1) by striking “30 days” and inserting “45*
 5 *days”;*

6 *(2) by striking “so disapproved” and inserting*
 7 *“disapproved (for reasons other than failure to com-*
 8 *ply with State health, safety, and child care laws, in-*
 9 *cluding regulations applicable to comparable child*
 10 *care programs in the State)”;* and

11 *(3) by inserting before the period “, as evidenced*
 12 *by a written statement of the Secretary’s findings*
 13 *transmitted to such officer”.*

14 **SEC. 112. PARTICIPATION IN HEAD START PROGRAMS.**

15 *Section 645(a) of the Head Start Act (42 U.S.C.*
 16 *9840(a)) is amended—*

17 *(1) in the last sentence of paragraph (1)—*

18 *(A) by striking “provide (A) that” and in-*
 19 *serting the following:*

20 *“provide—*

21 *“(A) that”;* and

22 *(B) by amending subparagraph (B) to read*
 23 *as follows:*

24 *“(B) pursuant to such regulations as the Sec-*
 25 *retary shall prescribe, that programs assisted under*
 26 *this subchapter may—*

1 “(i) include a child who has been deter-
2 mined to meet the low-income criteria and who
3 is participating in a Head Start program in a
4 program year shall be considered to continue to
5 meet the low-income criteria through the end of
6 the succeeding program year. In determining, for
7 purposes of this paragraph, whether a child who
8 has applied for enrollment in a Head Start pro-
9 gram meets the low-income criteria, an entity
10 may consider evidence of family income during
11 the 12 months preceding the month in which the
12 application is submitted, or during the calendar
13 year preceding the calendar year in which the
14 application is submitted, whichever more accu-
15 rately reflects the needs of the family at the time
16 of application;

17 “(ii) permit not more than 25 percent of the
18 children enrolled in a Head Start program to be
19 children (without counting children with disabil-
20 ities) whose family income does not exceed 140
21 percent of the poverty line if the Head Start
22 agency carrying out such program—

23 “(I) has a community needs assessment
24 that demonstrates a need to provide Head
25 Start services to more of such children who

1 are members of families with incomes that
2 exceed the poverty line but do not exceed
3 140 percent of the poverty line; and

4 “(II) ensures that, as a result of enroll-
5 ing a greater percentage of children de-
6 scribed in this clause, there will not be a re-
7 duction in, or denial of, Head Start services
8 to children who are eligible under subpara-
9 graph (A);

10 “(iii) subject to the approval of the Sec-
11 retary, permit such Head Start agency that
12 demonstrates to the Secretary that it has made
13 reasonable efforts to enroll children eligible under
14 subparagraph (A) in the Head Start program
15 carried out by such agency, to charge participa-
16 tion fees for children described in clause (ii),
17 consistent with the sliding fee schedule estab-
18 lished by the State under section 658E(c)(5) of
19 the of the Child Care and Development Block
20 Grant Act of 1990 (42 U.S.C. 9858c(c)(5)).”;

21 (2) by redesignating paragraph (2) as para-
22 graph (3); and

23 (3) by inserting after paragraph (1) the follow-
24 ing:

1 “(2) *A Head Start agency that provides a Head Start*
 2 *program with full-working-day services in collaboration*
 3 *with other agencies or entities may collect a family copay-*
 4 *ment to support extended day services if a copayment is*
 5 *required in conjunction with the partnership. The copay-*
 6 *ment shall not exceed the copayment charged to families*
 7 *with similar incomes and circumstances who are receiving*
 8 *the services through participation in a program carried out*
 9 *by another agency or entity.”.*

10 **SEC. 113. EARLY HEAD START PROGRAMS FOR FAMILIES**
 11 **WITH INFANTS AND TODDLERS.**

12 (a) *PROGRAM.*—Section 645A of the Head Start Act
 13 (42 U.S.C. 9840a) is amended—

14 (1) *in the section heading, by inserting “**EARLY***
 15 ***HEAD START**” before “**PROGRAMS FOR**”;*

16 (2) *in subsection (a)—*

17 (A) *in paragraph (1) by striking “; and”*
 18 *and inserting a period;*

19 (B) *by striking paragraph (2); and*

20 (C) *by striking “for—” and all that follows*
 21 *through “(1)”, and inserting “for”;*

22 (3) *in subsection (b)—*

23 (A) *in paragraph (5), by inserting “(in-*
 24 *cluding programs for infants and toddlers with*
 25 *disabilities)” after “community”;*

1 (B) in paragraph (7) by striking “and” at
2 the end;

3 (C) by redesignating paragraph (8) as
4 paragraph (9); and

5 (D) by inserting after paragraph (7) the fol-
6 lowing:

7 “(8) ensure formal linkages with the agencies de-
8 scribed in section 644(b) of the Individuals With Dis-
9 abilities Education Act Amendments of 1997 and pro-
10 viders of early intervention services for infants and
11 toddlers with disabilities under the Individuals with
12 Disabilities Education Act (20 U.S.C. 1400 et seq.);
13 and”;

14 (4) in subsection (c)—

15 (A) by striking “(a)(1)” and inserting
16 “(a)”; and

17 (B) in paragraph (2), by striking “(or
18 under” and all that follows through “(e)(3))”;

19 (5) in subsection (d)—

20 (A) in paragraph (1), by inserting “and” at
21 the end;

22 (B) by striking paragraph (2); and

23 (C) in paragraph (3) by redesignating such
24 paragraph as paragraph (2);

25 (6) by striking subsection (e);

1 (7) by redesignating subsections (f) and (g) as
2 subsections (e) and (f), respectively;

3 (8) in subsection (e) (as redesignated in para-
4 graph (7))—

5 (A) in the subsection heading, by striking
6 “OTHER”; and

7 (B) by striking “From the balance remain-
8 ing of the portion specified in section 640(a)(6),
9 after making grants to the eligible entities speci-
10 fied in subsection (e),” and inserting “From the
11 portion specified in section 640(a)(6),”;

12 (9) by striking subsection (h); and

13 (10) by adding at the end the following:

14 “(g) MONITORING, TRAINING, TECHNICAL ASSIST-
15 ANCE, AND EVALUATION.—

16 “(1) REQUIREMENT.—In order to ensure the suc-
17 cessful operation of programs assisted under this sec-
18 tion, the Secretary shall use funds from the portion
19 specified in section 640(a)(6) to monitor the oper-
20 ation of such programs, evaluate their effectiveness,
21 and provide training and technical assistance tai-
22 lored to the particular needs of such programs.

23 “(2) TRAINING AND TECHNICAL ASSISTANCE AC-
24 COUNT.—

1 “(A) *IN GENERAL.*—*Of the amount made*
 2 *available to carry out this section for any fiscal*
 3 *year, not less than 5 percent and not more than*
 4 *10 percent shall be reserved to fund a training*
 5 *and technical assistance account.*

6 “(B) *ACTIVITIES.*—*Funds in the account*
 7 *may be used for purposes including—*

8 “(i) *making grants to, and entering*
 9 *into contracts with, organizations with spe-*
 10 *cialized expertise relating to infants, tod-*
 11 *dlers, and families and the capacity needed*
 12 *to provide direction and support to a na-*
 13 *tional training and technical assistance sys-*
 14 *tem, in order to provide such direction and*
 15 *support;*

16 “(ii) *providing ongoing training and*
 17 *technical assistance for regional and pro-*
 18 *gram staff charged with monitoring and*
 19 *overseeing the administration of the pro-*
 20 *gram carried out under this section;*

21 “(iii) *providing ongoing training and*
 22 *technical assistance for existing recipients of*
 23 *grants under subsection (a) and support*
 24 *and program planning and implementation*

1 *assistance for new recipients of such grants;*
 2 *and*
 3 “(iv) *providing professional develop-*
 4 *ment and personnel enhancement activities,*
 5 *including the provision of funds to recipi-*
 6 *ents of grants under subsection (a) for the*
 7 *recruitment and retention of qualified staff*
 8 *with an appropriate level of education and*
 9 *experience.”.*

10 (b) *CONFORMING AMENDMENT.—Section 640(a)(5)(F)*
 11 *of the Head Start Act (42 U.S.C. 9835(a)(5)(F)), as so re-*
 12 *designated by section 106, is amended by striking “section*
 13 *645(a)(1)(A)” and inserting “section 645(a)”.*

14 **SEC. 114. TECHNICAL ASSISTANCE AND TRAINING.**

15 *Section 648 of the Head Start Act (42 U.S.C. 9843)*
 16 *is amended—*

17 (1) *in subsection (b)—*

18 (A) *in paragraph (1), by striking “and” at*
 19 *the end;*

20 (B) *in paragraph (2), by striking the period*
 21 *at the end and inserting “; and”; and*

22 (C) *by adding at the end the following:*

23 “(3) *ensure the provision of technical assistance*
 24 *to assist Head Start agencies, entities carrying out*
 25 *other child care and early childhood programs, com-*

1 *munities, and States in collaborative efforts to pro-*
 2 *vide quality full-working-day, full-calendar-year serv-*
 3 *ices, including technical assistance related to identify-*
 4 *ing and assisting in resolving barriers to collabora-*
 5 *tion.”; and*

6 *(2) in subsection (c)—*

7 *(A) by amending paragraph (1) to read as*
 8 *follows:*

9 *“(1) give priority consideration to—*

10 *“(A) activities to correct program and man-*
 11 *agement deficiencies identified through reviews*
 12 *pursuant to section 641A(c) (including the pro-*
 13 *vision of assistance to local programs in the de-*
 14 *velopment of quality improvement plans under*
 15 *section 641A(d)(2)); and*

16 *“(B) assisting Head Start agencies in—*

17 *“(i) ensuring the school readiness of*
 18 *children; and*

19 *“(ii) meeting the education and school*
 20 *readiness performance standards described*
 21 *in this subchapter;”;*

22 *(B) in paragraph (2) by inserting “supple-*
 23 *ment amounts provided under section*
 24 *640(a)(3)(C)(ii),” after “(2)”;*

25 *(C) in paragraph (4)—*

1 (i) by inserting “and implementing”
2 after “developing”; and

3 (ii) by striking “a longer day” and in-
4 serting the following: “the day, and assist
5 the agencies and programs in expediting the
6 sharing of information about innovative
7 models for providing full-working-day, full-
8 calendar-year services for children”;

9 (D) in paragraph (7), by striking “and” at
10 the end;

11 (E) by redesignating paragraphs (3)
12 through (8) as paragraphs (5) through (10), re-
13 spectively; and

14 (F) by inserting after paragraph (2) the fol-
15 lowing:

16 “(3) assist Head Start agencies in the develop-
17 ment of collaborative initiatives with States and other
18 entities within the States, to foster effective early
19 childhood professional development systems;

20 “(4) assist classroom and non-classroom staff,
21 including individuals in management and leadership
22 capacities, to understand the components of effective
23 family literacy services, gain knowledge about proper
24 implementation of such services within a Head Start
25 program, and receive assistance to achieve successful

1 *collaboration agreements with other service providers*
 2 *that allow the effective integration of family literacy*
 3 *services with the Head Start program;”.*

4 **SEC. 115. PROFESSIONAL REQUIREMENTS.**

5 *Section 648A of the Head Start Act (42 U.S.C. 9843a)*
 6 *is amended—*

7 *(1) by amending subsection (a) to read as fol-*
 8 *lows:*

9 “(a) *CLASSROOM TEACHERS.—*

10 “(1) *PROFESSIONAL REQUIREMENTS.—The Sec-*
 11 *retary shall ensure that each Head Start classroom in*
 12 *a center-based program is assigned 1 teacher who has*
 13 *demonstrated competency to perform functions that*
 14 *include—*

15 “(A) *planning and implementing learning*
 16 *experiences that advance the intellectual and*
 17 *physical development of children, including im-*
 18 *proving readiness of children for school by devel-*
 19 *oping their literacy and phonemic, print, and*
 20 *numeracy awareness, their understanding and*
 21 *use of oral language, their understanding and*
 22 *use of increasingly complex and varied vocabu-*
 23 *lary, their appreciation of books and their prob-*
 24 *lem solving abilities;*

1 “(B) establishing and maintaining a safe,
2 healthy learning environment;

3 “(C) supporting the social and emotional
4 development of children; and

5 “(D) encouraging the involvement of the
6 families of the children in a Head Start pro-
7 gram and supporting the development of rela-
8 tionships between children and their families.

9 “(2) *DEGREE REQUIREMENTS.*—*The Secretary*
10 *shall ensure that not later than September 30, 2003,*
11 *at least 50 percent of all Head Start classrooms in a*
12 *center-based program are assigned 1 teacher who has*
13 *an associate, baccalaureate, or an advanced degree in*
14 *early childhood education or development and shall*
15 *require Head Start agencies to demonstrate continu-*
16 *ing progress each year to reach that result. In the re-*
17 *maining balance of such classrooms, there shall be as-*
18 *signed one teacher who has—*

19 “(A) a child development associate (CDA)
20 credential that is appropriate to the age of the
21 children being served in center-based programs;

22 “(B) a State-awarded certificate for pre-
23 school teachers that meets or exceeds the require-
24 ments for a child development associate creden-
25 tial; or

1 “(C) a degree in a field related to early
 2 childhood education with experience in teaching
 3 preschool children and a State-awarded certifi-
 4 cate to teach in a preschool program.

5 “(3) *ASSESSMENT.*—Head Start agencies shall
 6 adopt, in consultation with experts in child develop-
 7 ment and with classroom teachers, an assessment to
 8 be used when hiring or evaluating any classroom
 9 teacher in a center-based Head Start program. Such
 10 assessment shall measure whether such teacher has
 11 mastered the functions described in paragraph
 12 (1)(A).”; and

13 (2) in subsection (b)(2)(B)—

14 (A) by striking “staff,” and inserting “staff
 15 or”; and

16 (B) by striking “, or that” and all that fol-
 17 lows through “families”.

18 **SEC. 116. FAMILY LITERACY SERVICES.**

19 *The Head Start Act (42 U.S.C. 9831 et seq.) is amend-*
 20 *ed by inserting after section 648A the following:*

21 **“SEC. 648B. FAMILY LITERACY SERVICES.**

22 *“From funds reserved under section 639(b)(4), the Sec-*
 23 *retary—*

24 “(1) shall provide grants through a competitive
 25 process, based upon the quality of the family literacy

1 *service proposal and taking into consideration geo-*
 2 *graphic and urban/rural representation, for not more*
 3 *than 100 Head Start agencies to initiate provision of*
 4 *family literacy services through collaborative partner-*
 5 *ships with entities that provide adult education serv-*
 6 *ices, entities carrying out Even Start programs under*
 7 *part B of chapter 1 of title 1 of the Elementary and*
 8 *Secondary Education Act of 1965 (20 U.S.C. 274 et*
 9 *seq.), or entities that provide other services deemed*
 10 *necessary for the provision of family literacy services;*
 11 *and*

12 “(2) may—

13 “(A) *provide training and technical assist-*
 14 *ance to Head Start agencies that already provide*
 15 *family literacy services;*

16 “(B) *designate as mentor programs, and*
 17 *provide financial assistance to, Head Start agen-*
 18 *cies that demonstrate effective implementation of*
 19 *family literacy services, based on improved out-*
 20 *comes of children and their parents, to enable*
 21 *such agencies to provide training and technical*
 22 *assistance to other agencies that seek to imple-*
 23 *ment, or improve implementation of, family lit-*
 24 *eracy services; and*

1 “(C) award grants or make other assistance
 2 available to facilitate training and technical as-
 3 sistance to programs for development of collabo-
 4 ration agreements with other service providers.
 5 In awarding such grants or assistance, the Secretary shall
 6 give special consideration to an organization that has expe-
 7 rience in the development and operation of successful family
 8 literacy services.”.

9 **SEC. 117. RESEARCH AND EVALUATION.**

10 Section 649 of the Head Start Act (42 U.S.C. 9844)
 11 is amended—

12 (1) in subsection (d)—

13 (A) in paragraph (6), by striking “and” at
 14 the end;

15 (B) in paragraph (7) by striking the period
 16 at the end and inserting “; and”;

17 (C) by redesignating paragraphs (2)
 18 through (7) as paragraphs (3) through (8), re-
 19 spectively;

20 (D) by inserting after paragraph (1) the fol-
 21 lowing:

22 “(2) over a 5-year period, lead to the develop-
 23 ment and rigorous evaluation of models for the inte-
 24 gration of family literacy services with Head Start
 25 programs, that demonstrate the ability to make posi-

1 *tive gains for children participating in Head Start*
 2 *programs and their parents, and dissemination of in-*
 3 *formation about such models;”;* and

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

5 *“(9) study the experiences of small, medium, and*
 6 *large States with Head Start programs in order to*
 7 *permit comparisons of children participating in the*
 8 *programs with eligible children who did not partici-*
 9 *pate in the programs, which study—*

10 *“(A) may include the use of a data set that*
 11 *existed prior to the initiation of the study; and*

12 *“(B) shall compare the educational achieve-*
 13 *ment, social adaptation, and health status of the*
 14 *participating children and the eligible non-*
 15 *participating children.*

16 *The Secretary shall ensure that an appropriate entity car-*
 17 *ries out a study described in paragraph (9), and prepares*
 18 *and submits to the appropriate committees of the Congress*
 19 *a report containing the results of the study, not later than*
 20 *September 30, 2002.”;* and

21 *(2) by adding at the end the following:*

22 *“(g) NATIONAL HEAD START IMPACT RESEARCH.—*

23 *“(1) ANALYSES OF DATA BASES.—The Secretary*
 24 *shall obtain analyses of the following existing data-*
 25 *bases to guide the evaluation recommendations of the*

1 *expert panel appointed under paragraph (2) and to*
2 *provide Congress with initial reports of potential*
3 *Head Start outcomes—*

4 *“(A) by use of The Survey of Income and*
5 *Program Participation (SIPP) conduct an anal-*
6 *ysis of the different income levels of Head Start*
7 *participants compared to comparable persons*
8 *who did not attend Head Start;*

9 *“(B) by use of The National Longitudinal*
10 *Survey of Youth (NLSY) which began gathering*
11 *data on children who attended Head Start from*
12 *1988 on, examine the wide range of outcomes*
13 *measured within the Survey, including cognitive,*
14 *socio-emotional, behavioral, and academic devel-*
15 *opment;*

16 *“(C) by use of The Survey of Program Dy-*
17 *namics, the new longitudinal survey required by*
18 *the Personal Responsibility and Work Oppor-*
19 *tunity Reconciliation Act of 1996, to begin an-*
20 *annual reporting, through the duration of the Sur-*
21 *vey, on Head Start attendees’ academic readi-*
22 *ness performance and improvements; and*

23 *“(D) to ensure that The Survey of Program*
24 *Dynamics be linked with the NLSY at least once*
25 *by the use of a common performance test, to be*

1 *determined by the expert panel, for the greater*
 2 *national usefulness of the NLSY database.*

3 “(2) *EXPERT PANEL.*—

4 “(A) *IN GENERAL.*—*The Secretary shall ap-*
 5 *point an independent panel consisting of experts*
 6 *in program evaluation and research, education,*
 7 *and early childhood programs—*

8 “(i) *to review, and make recommenda-*
 9 *tions on, the design and plan for the re-*
 10 *search (whether conducted as a single as-*
 11 *essment or as a series of assessments), de-*
 12 *scribed in paragraph (3), within 1 year*
 13 *after the date of enactment of the Human*
 14 *Services Reauthorization Act of 1998;*

15 “(ii) *to maintain and advise the Sec-*
 16 *retary regarding the progress of the re-*
 17 *search; and*

18 “(iii) *to comment, if the panel so de-*
 19 *sires, on the interim and final research re-*
 20 *ports submitted under paragraph (8).*

21 “(B) *TRAVEL EXPENSES.*—*The members of*
 22 *the panel shall not receive compensation for the*
 23 *performance of services for the panel, but shall be*
 24 *allowed travel expenses, including per diem in*
 25 *lieu of subsistence, at rates authorized for em-*

1 *ployees of agencies under subchapter I of chapter*
2 *57 of title 5, United States Code, while away*
3 *from their homes or regular places of business in*
4 *the performance of services for the panel. Not-*
5 *withstanding section 1342 of title 31, United*
6 *States Code, the Secretary may accept the vol-*
7 *untary and uncompensated services of members*
8 *of the panel.*

9 *“(3) GENERAL AUTHORITY.—After reviewing the*
10 *recommendations of the expert panel the Secretary*
11 *shall enter into a grant, contract, or cooperative*
12 *agreement with an organization to conduct independ-*
13 *ent research that provides a national analysis of the*
14 *impact of Head Start programs. The Secretary shall*
15 *ensure that the organization shall have expertise in*
16 *program evaluation, and research, education, and*
17 *early childhood programs.*

18 *“(4) DESIGNS AND TECHNIQUES.—The Secretary*
19 *shall ensure that the research uses rigorous meth-*
20 *odological designs and techniques (based on the rec-*
21 *ommendations of the expert panel), including longitu-*
22 *dinal designs, control groups, nationally recognized*
23 *standardized measures, and random selection and as-*
24 *signment, as appropriate. The Secretary may provide*
25 *that the research shall be conducted as a single com-*

1 *prehensive assessment or as a group of coordinated*
 2 *assessments designed to provide, when taken together,*
 3 *a national analysis of the impact of Head Start pro-*
 4 *grams.*

5 “(5) *PROGRAMS.*—*The Secretary shall ensure*
 6 *that the research focuses primarily on Head Start*
 7 *programs that operate in the several States, the Com-*
 8 *monwealth of Puerto Rico, or the District of Colum-*
 9 *bia and that do not specifically target special popu-*
 10 *lations.*

11 “(6) *ANALYSIS.*—*The Secretary shall ensure that*
 12 *the organization conducting the research—*

13 “(A)(i) *determines if, overall, the Head*
 14 *Start programs have impacts consistent with*
 15 *their primary goal of increasing the social com-*
 16 *petence of children, by increasing the everyday*
 17 *effectiveness of the children in dealing with their*
 18 *present environments and future responsibilities,*
 19 *and increasing their school readiness;*

20 “(ii) *considers whether the Head Start pro-*
 21 *grams—*

22 “(I) *enhance the growth and develop-*
 23 *ment of children in cognitive, emotional,*
 24 *and physical health areas;*

1 “(II) strengthen families as the pri-
2 mary nurturers of their children; and

3 “(III) ensure that children attain
4 school readiness; and

5 “(iii) examines—

6 “(I) the impact of the Head Start pro-
7 grams on increasing access of children to
8 such services as educational, health, and nu-
9 tritional services, and linking children and
10 families to needed community services; and

11 “(II) how receipt of services described
12 in subclause (I) enriches the lives of chil-
13 dren and families participating in Head
14 Start programs;

15 “(B) examines the impact of Head Start
16 programs on participants on the date the par-
17 ticipants leave Head Start programs, at the end
18 of kindergarten, and at the end of first grade, by
19 examining a variety of factors, including edu-
20 cational achievement, referrals for special edu-
21 cation or remedial course work, and absenteeism;

22 “(C) makes use of random selection from the
23 population of all Head Start programs described
24 in paragraph (5) in selecting programs for in-
25 clusion in the research; and

1 “(D) includes comparisons of individuals
 2 who participate in Head Start programs with
 3 control groups (including comparison groups)
 4 composed of—

5 “(i) individuals who participate in
 6 other early childhood programs (such as
 7 preschool programs and day care); and

8 “(ii) individuals who do not partici-
 9 pate in any other early childhood program.

10 “(7) CONSIDERATION OF SOURCES OF VARI-
 11 ATION.—In designing the research, the Secretary
 12 shall, to the extent practicable, consider addressing
 13 possible sources of variation in impact of Head Start
 14 programs, including variations in impact related to
 15 such factors as—

16 “(A) Head Start program operations;

17 “(B) Head Start program quality;

18 “(C) the length of time a child attends a
 19 Head Start program;

20 “(D) the age of the child on entering the
 21 Head Start program;

22 “(E) the type of organization (such as a
 23 local educational agency or a community action
 24 agency) providing services for the Head Start
 25 program;

1 “(F) the number of hours and days of pro-
 2 gram operation of the Head Start program (such
 3 as whether the program is a full-working-day
 4 full-calendar-year program, a part-day program
 5 or a part-year program); and

6 “(G) other characteristics and features of
 7 the Head Start program (such as geographic lo-
 8 cation, location in an urban or a rural service
 9 area, or participant characteristics), as appro-
 10 priate.

11 “(8) *REPORTS.*—

12 “(A) *SUBMISSION OF INTERIM REPORTS.*—

13 *The organization shall prepare and submit to the*
 14 *Secretary 2 interim reports on the research. The*
 15 *first interim report shall describe the design of*
 16 *the research, and the rationale for the design, in-*
 17 *cluding a description of how potential sources of*
 18 *variation in impact of Head Start programs*
 19 *have been considered in designing the research.*
 20 *The second interim report shall describe the sta-*
 21 *tus of the research and preliminary findings of*
 22 *the research, as appropriate.*

23 “(B) *SUBMISSION OF FINAL REPORT.*—*The*
 24 *organization shall prepare and submit to the*

1 *Secretary a final report containing the findings*
 2 *of the research.*

3 “(C) *TRANSMITTAL OF REPORTS TO CON-*
 4 *GRESS.—*

5 “(i) *IN GENERAL.—The Secretary shall*
 6 *transmit, to the committees described in*
 7 *clause (ii), the first interim report by Sep-*
 8 *tember 30, 1999, the second interim report*
 9 *by September 30, 2001, and the final report*
 10 *by September 30, 2003.*

11 “(ii) *COMMITTEES.—The committees*
 12 *referred to in clause (i) are the Committee*
 13 *on Education and the Workforce of the*
 14 *House of Representatives and the Committee*
 15 *on Labor and Human Resources of the Sen-*
 16 *ate.*

17 “(9) *DEFINITION.—In this subsection, the term*
 18 *‘impact’, used with respect to a Head Start program,*
 19 *means a difference in an outcome for a participant*
 20 *in the program that would not have occurred without*
 21 *the participation in the program.*

22 “(h) *QUALITY IMPROVEMENT STUDY.—*

23 “(1) *STUDY.—The Secretary shall conduct a*
 24 *study regarding the use and effects of use of the qual-*

1 *ity improvement funds made available under section*
 2 *640(a)(3) since fiscal year 1991.*

3 “(2) *REPORT.*—*The Secretary shall prepare and*
 4 *submit to Congress not later than September 2000 a*
 5 *report containing the results of the study, including—*

6 “(A) *the types of activities funded with the*
 7 *quality improvement funds;*

8 “(B) *the extent to which the use of the qual-*
 9 *ity improvement funds has accomplished the*
 10 *goals of section 640(a)(3)(B); and*

11 “(C) *the effect of use of the quality improve-*
 12 *ment funds on teacher training, salaries, bene-*
 13 *fits, recruitment, and retention.”.*

14 **SEC. 118. REPORTS.**

15 *Section 650 of the Head Start Act (42 U.S.C. 9846)*
 16 *is amended—*

17 (1) *by inserting “(a) STATUS OF CHILDREN.—”*
 18 *before “At”;*

19 (2) *by striking “and Labor” each place it ap-*
 20 *pears and inserting “and the Workforce”;*

21 (3) *in paragraph (14) by striking “and sea-*
 22 *sonal” and inserting “or seasonal”; and*

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

24 “(b) *FACILITIES.*—*At least once during every 5-year*
 25 *period, the Secretary shall prepare and submit, to the Com-*

1 *mittee on Education and the Workforce of the House of Rep-*
 2 *resentatives and the Committee on Labor and Human Re-*
 3 *sources of the Senate, a report concerning the condition, lo-*
 4 *cation, and ownership of facilities used, or available to be*
 5 *used, by Indian Head Start agencies.”.*

6 **SEC. 119. REPEAL OF CONSULTATION REQUIREMENT.**

7 *Section 657A of the Head Start Act (42 U.S.C. 9852a)*
 8 *is repealed.*

9 **SEC. 120. REPEAL OF HEAD START TRANSITION PROJECT**

10 **ACT.**

11 *The Head Start Transition Project Act (42 U.S.C.*
 12 *9855–9855g) is repealed.*

13 **SEC. 121. EFFECTIVE DATE; APPLICATION OF AMEND-**
 14 **MENTS.**

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

18 *(b) APPLICATION OF AMENDMENTS.—The amendments*
 19 *made by this title shall not apply with respect to any fiscal*
 20 *year ending before October 1, 1998.*

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

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

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

7 **SEC. 202. 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 rity 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, 2001,*
 14 *and subject to subsection (c), on the basis of need*
 15 *among the Federated States of Micronesia, the Repub-*
 16 *lic 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 activities which may include—*

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 *mains 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) *Subject to paragraph (2), if there is in effect*
 7 *under State law a charity tax credit, then the State may*
 8 *use for any purpose the amount of the allotment that is*
 9 *available for expenditure under subsection (b).*

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

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

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

23 “(B) *QUALIFIED CHARITY.—*

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

1 “(I) which is—

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

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

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

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

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

22 “(ii) CERTAIN CONTRIBUTIONS TO COLLEC-
23 TION ORGANIZATIONS TREATED AS CONTRIBU-
24 TIONS TO QUALIFIED CHARITY.—

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

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

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

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

20 “(cc) *which meets the require-*
 21 *ments of clause (vi).*

22 “(iii) *CHARITY MUST PRIMARILY ASSIST*
 23 *POOR INDIVIDUALS.*—

24 “(I) *IN GENERAL.*—An organization
 25 *meets the requirements of this clause only if*

1 the appropriate State authority reasonably
 2 expects that the predominant activity of
 3 such organization will be the provision of
 4 direct services within the United States to
 5 individuals and families whose annual in-
 6 comes generally do not exceed 185 percent of
 7 the official poverty line (as defined by the
 8 Office of Management and Budget) in order
 9 to prevent or alleviate poverty among such
 10 individuals and families.

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

20 “(III) FOOD AID AND HOMELESS
 21 SHELTERS.—Except as otherwise provided
 22 by the appropriate State authority, for pur-
 23 poses of subclause (I), services to individ-
 24 uals in the form of—

1 “(aa) donations of food or meals;

2 or

3 “(bb) temporary shelter to home-

4 less individuals;

5 shall be treated as provided to individuals

6 described in subclause (I) if the location

7 and operation of such services are such that

8 the service provider may reasonably con-

9 clude that the beneficiaries of such services

10 are predominantly individuals described in

11 subclause (I).

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

13 “(I) *IN GENERAL.*—An organization

14 meets the requirements of this clause only if

15 the appropriate State authority reasonably

16 expects that the annual poverty program ex-

17 penses of such organization will not be less

18 than 75 percent of the annual aggregate ex-

19 penses of such organization.

20 “(II) *POVERTY PROGRAM EXPENSE.*—

21 For purposes of subclause (I)—

22 “(aa) *IN GENERAL.*—The term

23 ‘poverty program expense’ means any

24 expense in providing program services

25 referred to in clause (iii).

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

16 “(v) *REPORTING REQUIREMENT.*—*The in-*
 17 *formation required to be furnished under this*
 18 *clause is—*

19 “(i) *the percentages determined by di-*
 20 *viding the following categories of the orga-*
 21 *nization’s expenses for the year by its total*
 22 *expenses for the year: program services,*
 23 *management expenses, general expenses,*
 24 *fundraising expenses, and payments to af-*
 25 *filates; and*

1 “(ii) *the category or categories (includ-*
 2 *ing food, shelter, education, substance abuse,*
 3 *job training, or otherwise) of services which*
 4 *constitute its predominant activities.*

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

8 “(I) *maintains separate accounting for*
 9 *revenues and expenses; and*

10 “(II) *makes available to the public its*
 11 *administrative and fundraising costs and*
 12 *information as to the organizations receiv-*
 13 *ing funds from it and the amount of such*
 14 *funds.*

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

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

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

21 “(aa) *a single flat rate applicable*
 22 *to all earned and unearned income (ex-*
 23 *cept insofar as any amount is not*
 24 *taxed pursuant to tax forgiveness pro-*
 25 *visions); and*

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

8 “(4) No part of the aggregate amount a State uses
 9 under paragraph (1) may be used to supplant non-Federal
 10 funds that would be available, in the absence of Federal
 11 funds, to offset a revenue loss of the State attributable to
 12 a charity tax credit.

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 *urity 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).*

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

6 “(a) *CONSTRUCTION OF FACILITIES.*—

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

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

1 “(b) *POLITICAL ACTIVITIES.*—

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

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

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

22 “(B) *any activity to provide voters or pro-*
 23 *spective voters with transportation to the polls or*
 24 *similar assistance in connection with any such*
 25 *election; or*

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

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

9 “(c) *NONDISCRIMINATION.—*

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

24 “(2) *ACTION OF SECRETARY.—Whenever the Sec-*
 25 *retary determines that a State that has received a*

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

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

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

17 *“(C) take such other action as may be pro-*
 18 *vided by law.*

19 *“(3) ACTION OF ATTORNEY GENERAL.—When a*
 20 *matter is referred to the Attorney General pursuant*
 21 *to paragraph (2), or whenever the Attorney General*
 22 *has reason to believe that the State is engaged in a*
 23 *pattern or practice of discrimination in violation of*
 24 *the provisions of this subsection, the Attorney General*
 25 *may bring a civil action in any appropriate United*

1 *States district court for such relief as may be appro-*
2 *priate, including injunctive relief.*

3 **“SEC. 679. OPERATIONAL RULE.**

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

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

23 “(c) *LIMITATIONS ON USE OF FUNDS FOR CERTAIN*
24 *PURPOSES.—No funds provided to a faith-based organiza-*
25 *tion to provide assistance under any program described in*

1 subsection (a) shall be expended for sectarian worship, in-
 2 struction, or proselytization.

3 “(d) *FISCAL ACCOUNTABILITY.*—

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

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

15 **“SEC. 680. DISCRETIONARY AUTHORITY OF THE SEC-**
 16 **RETARY.**

17 “(a) *GRANTS, CONTRACTS, ARRANGEMENTS, LOANS,*
 18 *AND GUARANTEES.*—

19 “(1) *IN GENERAL.*—The Secretary shall, from
 20 funds reserved under section 674(b)(3), make grants,
 21 loans, or guarantees to States and public agencies
 22 and private, nonprofit organizations, or enter into
 23 contracts or jointly financed cooperative arrange-
 24 ments with States and public agencies and private,
 25 nonprofit organizations (and for-profit organizations,

1 to the extent specified in (2)(E)) for each of the objec-
 2 tives described in paragraphs (2) through (4).

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

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

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

18 “(C) *GOVERNING BOARDS.*—For a commu-
 19 nity development corporation to receive funds to
 20 carry out this paragraph, the corporation shall
 21 be governed by a board that shall consist of resi-
 22 dents of the community and business and civic
 23 leaders and shall have as a principal purpose
 24 planning, developing, or managing low-income
 25 housing or community development projects.

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

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

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

22 “(A) *grants to private, nonprofit corpora-*
 23 *tions that provide assistance concerning home re-*
 24 *pair to rural low-income families and planning*

1 *and developing low-income rural rental housing*
2 *units; and*

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

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

19 “(b) *EVALUATION.—The Secretary shall require all ac-*
20 *tivities receiving assistance under this section to be evalu-*
21 *ated for their effectiveness. Funding for such evaluations*
22 *shall be provided as a stated percentage of the assistance*
23 *or through a separate grant awarded by the Secretary spe-*
24 *cifically for the purpose of evaluation of a particular activ-*
25 *ity or group of activities.*

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

9 **SEC. 203. RELATED AMENDMENTS.**

10 *The Community Services Block Grant Act (42 U.S.C.*
 11 *9901 et seq.) is amended—*

12 (1) *by striking section 681;*

13 (2) *in section 681A—*

14 (A) *by striking “681A” and inserting*
 15 *“681”;*

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

18 (C) *in subsection (d) by striking*
 19 *“\$25,000,000” and all that follows through*
 20 *“1998”, and inserting “\$5,000,000 for fiscal year*
 21 *1999, and such sums as may be necessary for fis-*
 22 *cal years 2000 through 2003”;*

23 (3) *in section 682—*

24 (A) *in subsection (c)—*

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

4 (ii) by inserting after paragraph (2)
5 the following:

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

8 “(A) ensure that—

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

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

20 “(B) enter into formal partnerships with
21 youth-serving organizations or other appropriate
22 social service entities in order to link program
23 participants with year-round services in their
24 home communities that support and continue the
25 objectives of this subtitle;”; and

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

6 (4) by striking sections 683 and 684, and insert-
 7 ing the following:

8 **“SEC. 683. DRUG TESTING AND PATERNITY DETERMINA-**
 9 **TIONS.**

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

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

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

23 “(1) inform custodial parents in single-parent
 24 families that participate in programs, activities, or

1 *services carried out under this subtitle about the*
 2 *availability of child support services;*

3 *“(2) refer eligible parents to the child support of-*
 4 *fices of State and local governments; and*

5 *“(3) establish referral arrangements with such*
 6 *offices.*

7 **“SEC. 684. REFERENCES.**

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

17 **SEC. 204. ASSETS FOR INDEPENDENCE.**

18 *The Community Services Block Grant Act (42 U.S.C.*
 19 *9901–9912), as amended by sections 202 and 203, is*
 20 *amended—*

21 *(1) by striking “this subtitle” each place it ap-*
 22 *pears (other than in section 671) and inserting “this*
 23 *part”;*

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

1 **“CHAPTER 1—COMMUNITY SERVICES GRANTS”;**

2 *and*

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

4 **“CHAPTER 2—ASSETS FOR INDEPENDENCE**

5 **“SEC. 685. SHORT TITLE.**

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

8 **“SEC. 686. FINDINGS.**

9 *“Congress makes the following findings:*

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

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

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

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

18 **“SEC. 687. PURPOSES.**

19 *“The purposes of this chapter are to provide for the*
 20 *establishment of demonstration projects designed to deter-*
 21 *mine—*

22 “(1) *the social, civic, psychological, and eco-*
 23 *nomie effects of providing to individuals and families*
 24 *with limited means an incentive to accumulate assets*
 25 *by saving a portion of their earned income;*

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

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

10 **“SEC. 688. DEFINITIONS.**

11 *“In this chapter:*

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

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

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

23 “(A) *is a withdrawal of only those funds, or*
 24 *a portion of those funds, deposited by the indi-*

1 *vidual in the individual development account of*
 2 *the individual;*

3 *“(B) is permitted by a qualified entity on*
 4 *a case-by-case basis; and*

5 *“(C) is made for—*

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

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

15 *“(iii) payments necessary to enable the*
 16 *individual to meet necessary living expenses*
 17 *following loss of employment.*

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

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

23 *“(A) IN GENERAL.—The term ‘individual*
 24 *development account’ means a trust created or*
 25 *organized in the United States exclusively for the*

1 *purpose of paying the qualified expenses of an el-*
2 *igible individual, or enabling the eligible indi-*
3 *vidual to make an emergency withdrawal, but*
4 *only if the written governing instrument creat-*
5 *ing the trust meets the following requirements:*

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

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

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

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

21 *“(v) Except as provided in clause (vi),*
22 *any amount in the trust which is attrib-*
23 *utable to a deposit provided under section*
24 *694 may be paid or distributed out of the*
25 *trust only for the purpose of paying the*

1 *qualified expenses of the eligible individual,*
 2 *or enabling the eligible individual to make*
 3 *an emergency withdrawal.*

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

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

1 *treated as a trust by reason of the preceding sen-*
 2 *tence, the custodian of that custodial account*
 3 *shall be treated as the trustee thereof.*

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

9 “(7) *QUALIFIED ENTITY.*—

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

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

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

21 “(B) *RULE OF CONSTRUCTION.*—*Nothing in*
 22 *this paragraph shall be construed as preventing*
 23 *an organization described in subparagraph*
 24 *(A)(i) from collaborating with a financial insti-*
 25 *tution or for-profit community development cor-*

1 poration to carry out the purposes of this chap-
2 ter.

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

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

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

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

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

23 “(ii) *ELIGIBLE EDUCATIONAL INSTITU-*
24 *TION*.—The term “eligible educational insti-
25 tution’ means the following:

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

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

19 “(B) *FIRST-HOME PURCHASE.*—*Qualified*
 20 *acquisition costs with respect to a principal resi-*
 21 *dence for a qualified first-time homebuyer, if*
 22 *paid from an individual development account*
 23 *directly to the persons to whom the amounts are*
 24 *due. In this subparagraph:*

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

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

13 “(iii) *QUALIFIED FIRST-TIME HOME-*
 14 *BUYER.*—

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

1 “(II) *DATE OF ACQUISITION.*—

2 *The term ‘date of acquisition’ means*
 3 *the date on which a binding contract*
 4 *to acquire, construct, or reconstruct the*
 5 *principal residence to which this sub-*
 6 *paragraph applies is entered into.*

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

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

22 “(ii) *QUALIFIED EXPENDITURES.*—*The*
 23 *term ‘qualified expenditures’ means expend-*
 24 *itures included in a qualified plan, includ-*

1 *ing capital, plant, equipment, working cap-*
 2 *ital, and inventory expenses.*

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

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

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

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

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

24 “(D) *TRANSFERS TO IDAS OF FAMILY MEM-*
 25 *BERS.—Amounts paid from an individual devel-*

1 *opment account directly into another such ac-*
 2 *count established for the benefit of an eligible in-*
 3 *dividual who is—*

4 “(i) *the individual’s spouse; or*

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

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

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

17 “(11) *TRIBAL GOVERNMENT.—The term ‘tribal*
 18 *government’ means a tribal organization, as defined*
 19 *in section 4 of the Indian Self-Determination and*
 20 *Education Assistance Act (25 U.S.C. 450b) or a Na-*
 21 *tive Hawaiian organization, as defined in section*
 22 *9212 of the Native Hawaiian Education Act (20*
 23 *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 chapter, the Secretary shall publicly an-
 5 nounce the availability of funding under this chapter for
 6 demonstration projects and shall ensure that applications
 7 to conduct the demonstration projects are widely available
 8 to qualified entities.

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

13 “(c) *CRITERIA.*—In considering whether to approve an
 14 application to conduct a demonstration project under this
 15 chapter, 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 nomic 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 chapter as the Secretary*
 20 *may specify.*

21 “(d) *PREFERENCES.*—*In considering an application*
 22 *to conduct a demonstration project under this chapter, the*
 23 *Secretary 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 chapter, the Secretary shall, on*
 14 *a competitive basis, approve such applications to conduct*
 15 *demonstration projects under this chapter 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 chapter, the Secretary shall, not later than 10*
 12 *months after the date of enactment of this chapter, 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 chapter.*

16 “(b) *GRANT AUTHORITY.—For each project year of a*
 17 *demonstration project conducted under this chapter, the*
 18 *Secretary may make a grant to the qualified entity author-*
 19 *ized to conduct the project. In making such a grant, the*
 20 *Secretary 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 chapter, other than a State or local government agency, or
4 a 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 *nomie 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 chapter:

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 chapter, to ensure compliance with this chapter
 16 if an 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 chapter,
 23 each 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 chapter, other than a*
 6 *State or local government agency or a tribal government,*
 7 *shall, subject to the provisions of section 697, have sole au-*
 8 *thority over the administration of the project. The Secretary*
 9 *may prescribe only such regulations or guidelines with re-*
 10 *spect to demonstration projects conducted under this chap-*
 11 *ter as are necessary to ensure compliance with the approved*
 12 *applications and the requirements of this chapter.*

13 **“SEC. 695A. GRANDFATHERING OF EXISTING STATEWIDE**
 14 **PROGRAMS.**

15 *“Any statewide asset-building program consistent with*
 16 *the purposes of this chapter that is established in State law*
 17 *as of the date of enactment of this Act, and that as of such*
 18 *date is operating with an annual State appropriation of*
 19 *not less than \$1,000,000 in non-Federal funds, shall be*
 20 *deemed to have met the requirements of section 688 and*
 21 *to be eligible for consideration by the Secretary as a dem-*
 22 *onstration program described in this chapter. Applications*
 23 *submitted by such statewide program shall be considered*
 24 *for funding by the Secretary notwithstanding the pref-*
 25 *erences listed in section 689(d). Any program requirements*

1 *under sections 691 through 695 that are inconsistent with*
 2 *State statutory requirements in effect on such date govern-*
 3 *ing such statewide program are hereby waived.*

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

5 “(a) *IN GENERAL.*—*Each qualified entity under this*
 6 *chapter shall prepare an annual report on the progress of*
 7 *the demonstration project. Each report shall include both*
 8 *program and participant information and shall specify for*
 9 *the period covered by the report the following information:*

10 “(1) *The number and characteristics of individ-*
 11 *uals making a deposit into an individual develop-*
 12 *ment account.*

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

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

17 “(4) *The amounts withdrawn from the individ-*
 18 *ual development accounts and the purposes for which*
 19 *such amounts were withdrawn.*

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

22 “(6) *The savings account characteristics (such as*
 23 *threshold amounts and match rates) required to stim-*
 24 *ulate participation in the demonstration project, and*

1 *how such characteristics vary among different popu-*
2 *lations or communities.*

3 “(7) What service configurations of the qualified
4 entity (such as peer support, structured planning ex-
5 ercises, mentoring, and case management) increased
6 the rate and consistency of participation in the dem-
7 onstration project and how such configurations varied
8 among different populations or communities.

9 “(8) Such other information as the Secretary
10 may require to evaluate the demonstration project.

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

14 “(1) the Secretary; and

15 “(2) the Treasurer (or equivalent official) of the
16 State in which the project is conducted, if the State
17 or a local government or a tribal government commit-
18 ted funds to the demonstration project.

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

1 **“SEC. 697. SANCTIONS.**

2 “(a) *AUTHORITY TO TERMINATE DEMONSTRATION*
 3 *PROJECT.*—*If the Secretary determines that a qualified en-*
 4 *tity under this chapter is not operating the demonstration*
 5 *project in accordance with the entity’s application or the*
 6 *requirements of this chapter (and has not implemented any*
 7 *corrective recommendations directed by the Secretary), the*
 8 *Secretary shall terminate such entity’s authority to conduct*
 9 *the demonstration project.*

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

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

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

16 “(3) *shall make every effort to identify another*
 17 *qualified entity (or entities) willing and able to con-*
 18 *duct the project in accordance with the approved ap-*
 19 *plication (or, as modified, if necessary to incorporate*
 20 *the recommendations) and the requirements of this*
 21 *chapter;*

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

24 “(A) *authorize the entity (or entities) to*
 25 *conduct the project in accordance with the ap-*
 26 *proved application (or, as modified, if necessary,*

1 to incorporate the recommendations) and the re-
2 quirements of this chapter;

3 “(B) transfer to the entity (or entities) con-
4 trol over the Reserve Fund established pursuant
5 to section 691; and

6 “(C) consider, for purposes of this chapter—

7 “(i) such other entity (or entities) to be
8 the qualified entity (or entities) originally
9 authorized to conduct the demonstration
10 project; and

11 “(ii) the date of such authorization to
12 be the date of the original authorization;
13 and

14 “(5) if, by the end of the 1-year period beginning
15 on the date of the termination, the Secretary has not
16 found a qualified entity (or entities) described in
17 paragraph (3), shall—

18 “(A) terminate the project; and

19 “(B) from the amount remaining in the Re-
20 serve Fund established as part of the project,
21 remit to each source that provided funds under
22 section 689(c)(4) to the entity originally author-
23 ized to conduct the project, an amount that bears
24 the same ratio to the amount so remaining as
25 the amount provided by the source under section

1 689(c)(4) bears to the amount provided by all
2 such sources under that section.

3 **“SEC. 698. EVALUATIONS.**

4 “(a) *IN GENERAL.*—Not later than 10 months after the
5 date of enactment of this chapter, the Secretary shall enter
6 into a contract with an independent research organization
7 to evaluate, individually and as a group, all qualified enti-
8 ties and sources participating in the demonstration projects
9 conducted under this chapter.

10 “(b) *FACTORS TO EVALUATE.*—In evaluating any
11 demonstration project conducted under this chapter, the re-
12 search organization shall address the following factors:

13 “(1) *The effects of incentives and organizational*
14 *or institutional support on savings behavior in the*
15 *demonstration project.*

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

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

23 “(4) *The effects of individual development ac-*
24 *counts on homeownership, level of postsecondary edu-*
25 *cation attained, and self-employment, and how such*

1 *effects vary among different populations or commu-*
 2 *nities.*

3 “(5) *The potential financial returns to the Fed-*
 4 *eral Government and to other public sector and pri-*
 5 *ate sector investors in individual development ac-*
 6 *counts over a 5-year and 10-year period of time.*

7 “(6) *The lessons to be learned from the dem-*
 8 *onstration projects conducted under this chapter and*
 9 *if a permanent program of individual development*
 10 *accounts should be established.*

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

13 “(c) *METHODOLOGICAL REQUIREMENTS.—In evaluat-*
 14 *ing any demonstration project conducted under this chap-*
 15 *ter, the research organization shall—*

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

18 “(2) *before, during, and after the project, obtain*
 19 *such quantitative data as are necessary to evaluate*
 20 *the project thoroughly; and*

21 “(3) *develop a qualitative assessment, derived*
 22 *from sources such as in-depth interviews, of how asset*
 23 *accumulation affects individuals and families.*

24 “(d) *REPORTS BY THE SECRETARY.—*

1 “(1) *INTERIM REPORTS.*—Not later than 90 days
 2 after the end of the calendar year in which the Sec-
 3 retary first authorizes a qualified entity to conduct a
 4 demonstration project under this chapter, and every
 5 12 months thereafter until all demonstration projects
 6 conducted under this chapter are completed, the Sec-
 7 retary shall submit to Congress an interim report set-
 8 ting forth the results of the reports submitted pursu-
 9 ant to section 696(b).

10 “(2) *FINAL REPORTS.*—Not later than 12 months
 11 after the conclusion of all demonstration projects con-
 12 ducted under this chapter, the Secretary shall submit
 13 to Congress a final report setting forth the results and
 14 findings of all reports and evaluations conducted pur-
 15 suant to this chapter.

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

20 **“SEC. 699. TREATMENT OF FUNDS.**

21 “Of the funds deposited in individual development ac-
 22 counts for eligible individuals, only the funds deposited by
 23 the individuals (including interest accruing on those funds)
 24 may be considered to be income, assets, or resources of the
 25 individuals for purposes of determining eligibility for, or

1 *the amount of assistance furnished under, any Federal or*
 2 *federally assisted program based on need.*

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

4 *“There is authorized to be appropriated to carry out*
 5 *this chapter, \$25,000,000 for each of fiscal years 1999,*
 6 *2000, 2001, and 2002, to remain available until expended.”.*

7 **SEC. 205. EFFECTIVE DATE; APPLICATION OF AMEND-**
 8 **MENTS.**

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

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

15 **TITLE III—AMENDMENTS TO THE**
 16 **LOW-INCOME HOME ENERGY**
 17 **ASSISTANCE ACT OF 1981**

18 **SEC. 301. SHORT TITLE.**

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

21 **SEC. 302. AUTHORIZATION.**

22 *(a) IN GENERAL.—Section 2602(b) of the Low-Income*
 23 *Home Energy Assistance Act of 1981 (42 U.S.C. 8621(b))*
 24 *is amended by inserting “, \$1,100,000,000 for fiscal year*

1 2000, and such sums as may be necessary for fiscal year
 2 2001” after “1995 through 1999”.

3 (b) *PROGRAM YEAR*.—Section 2602(c) of *Low-Income*
 4 *Home Energy Assistance Act of 1981* (42 U.S.C. 8621(c))
 5 is amended to read as follows:

6 “(c) Amounts appropriated under this section in any
 7 fiscal year for programs and activities under this title shall
 8 be made available for obligation in the succeeding fiscal
 9 year.”.

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

16 (d) *TECHNICAL AMENDMENT*.—Section 2602(e) of
 17 *Low-Income Home Energy Assistance Act of 1981* (42
 18 U.S.C. 8621(e)) is amended by striking “subsection (g)”
 19 and inserting “subsection (e) of such section”.

20 **SEC. 303. DEFINITIONS.**

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

23 (1) by striking “the term” and inserting “The
 24 term”; and

1 (2) *by striking the semicolon and inserting a pe-*
 2 *riod.*

3 **SEC. 304. NATURAL DISASTERS AND OTHER EMERGENCIES.**

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

7 (1) *by redesignating paragraphs (6) through (9)*
 8 *as paragraphs (8) through (11), respectively;*

9 (2) *by inserting before paragraph (8) (as redesign-*
 10 *ated in paragraph (1)) the following:*

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

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

19 (4) *by inserting before paragraph (2) (as redesign-*
 20 *ated in paragraph (3)) the following:*

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

22 “(A) *a natural disaster;*

23 “(B) *a significant home energy supply shortage*
 24 *or disruption;*

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

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

6 “(E) a significant increase in participation in a
7 public benefit program such as the food stamp pro-
8 gram carried out under the Food Stamp Act of 1977
9 (7 U.S.C. 2011 *et seq.*), the national program to pro-
10 vide supplemental security income carried out under
11 title XVI of the Social Security Act (42 U.S.C. 1381
12 *et seq.*), or the State temporary assistance for needy
13 families program carried out under part A of title IV
14 of the Social Security Act (42 U.S.C. 601 *et seq.*), as
15 determined by the head of the appropriate Federal
16 agency;

17 “(F) a significant increase in unemployment,
18 layoffs, or the number of households with an individ-
19 ual applying for unemployment benefits, as deter-
20 mined by the Secretary of Labor; or

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

24 (b) CONSIDERATIONS.—Section 2604(g) of Low-In-
25 come Home Energy Assistance Act of 1981 (42 U.S.C.

1 8623(g)) is amended by striking the last 2 sentences and
 2 inserting the following: “In determining whether to make
 3 such an allotment to a State, the Secretary shall take into
 4 account the extent to which the State was affected by the
 5 natural disaster or other emergency involved, the availabil-
 6 ity to the State of other resources under the program carried
 7 out under this title or any other program, whether a Mem-
 8 ber of Congress has requested that the State receive the allot-
 9 ment, and such other factors as the Secretary may find to
 10 be relevant. Not later than 30 days after making the deter-
 11 mination, but prior to releasing an allotted amount to a
 12 State, the Secretary shall notify Congress of the allotments
 13 made pursuant to this subsection.”.

14 **SEC. 305. STATE ALLOTMENTS.**

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

17 (1) in subsection (b)(1), by striking “the North-
 18 ern Mariana Islands, and the Trust Territory of the
 19 Pacific Islands.” and inserting “and the Common-
 20 wealth of the Northern Mariana Islands.”;

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

23 (3) by striking subsection (f);

1 (4) *in the first sentence of subsection (g), by*
 2 *striking “(a) through (f)” and inserting “(a) through*
 3 *(d)”*; and

4 (5) *by redesignating subsection (g) as subsection*
 5 *(e).*

6 **SEC. 306. ADMINISTRATION.**

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

9 (1) *in subsection (b)—*

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

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

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

19 (D) *in the matter following paragraph (16),*
 20 *by inserting before “The Secretary shall issue”*
 21 *the following: “The Secretary may not prescribe*
 22 *the manner in which the States will comply with*
 23 *the provisions of this subsection.”*; and

24 (2) *in subsection (c)(1)—*

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

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

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

10 **SEC. 307. PAYMENTS TO STATES.**

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

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

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

18 **SEC. 308. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE**

19 **OPTION.**

20 (a) *EVALUATION.*—The Comptroller General shall con-
21 duct an evaluation of the Residential Energy Assistance
22 Challenge program described in section 2607B of the Low-
23 Income Home Energy Assistance Act of 1981 (42 U.S.C.
24 8626b).

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

4 (1) the findings resulting from the evaluation de-
 5 scribed in subsection (a); and

6 (2) the State evaluations described in para-
 7 graphs (1) and (2) of subsection (b) of such section
 8 2607B.

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

14 (d) *TECHNICAL AMENDMENTS*.—Section 2607B of
 15 Low-Income Home Energy Assistance Act of 1981 (42
 16 U.S.C. 8626b) is amended—

17 (1) in subsection (e)(2)—

18 (A) by redesignating subparagraphs (F)
 19 through (N) as subparagraphs (E) through (M),
 20 respectively; and

21 (B) in clause (i) of subparagraph (I) (as re-
 22 designated in subparagraph (A)), by striking
 23 “on” and inserting “of”; and

1 (2) *by redesignating subsection (g) as subsection*

2 (f).

Attest:

Clerk.