

105TH CONGRESS
2D SESSION

S. 2206

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.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Community Opportuni-
5 ties, Accountability, and Training and Educational Serv-
6 ices Act of 1998” or the “Coats Human Services Reau-
7 thorization Act of 1998”.

1 SEC. 2. TABLE OF CONTENTS.

2 The table of contents for this Act is as follows:

- Sec. 1. Short title.
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TITLE I—HEAD START PROGRAMS

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- Sec. 201. Reauthorization.
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- Sec. 401. Short title.
- Sec. 402. Findings.
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1 **TITLE I—HEAD START**
 2 **PROGRAMS**

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

4 This title may be cited as the “Head Start Amend-
 5 ments of 1998”.

6 **SEC. 102. REFERENCES.**

7 Except as otherwise expressly provided, wherever in
 8 this title an amendment or repeal is expressed in terms
 9 of an amendment to, or repeal of, a section or other provi-
 10 sion, the reference shall be considered to be made to a
 11 section or other provision of the Head Start Act (42
 12 U.S.C. 9831 et seq.).

13 **SEC. 103. STATEMENT OF PURPOSE.**

14 The Head Start Act is amended by striking section
 15 636 (42 U.S.C. 9831) and inserting the following:

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

17 “It is the purpose of this subchapter to promote
 18 school readiness by enhancing the social and cognitive de-
 19 velopment of low-income children through the provision,
 20 to low-income children and their families, of health, edu-
 21 cational, nutritional, social, and other services that are de-

1 terminated to be necessary, based on family needs assess-
2 ments.”.

3 **SEC. 104. DEFINITIONS.**

4 Section 637 (42 U.S.C. 9832) is amended—

5 (1) by redesignating paragraphs (5) through
6 (14) as paragraphs (7) through (16), respectively;

7 (2) by redesignating paragraph (3) as para-
8 graph (6) and inserting such paragraph after para-
9 graph (4);

10 (3) by striking paragraph (4) and inserting the
11 following:

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

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

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

18 “(4) The term ‘delegate agency’ means a public,
19 private nonprofit, or for-profit organization or agen-
20 cy to which a grantee has delegated all or part of
21 the responsibility of the grantee for operating a
22 Head Start program.

23 “(5) The term ‘family literacy services’ means
24 services that—

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

3 “(B) are of sufficient intensity, and of suf-
4 ficient duration, to make sustainable changes in
5 a family (such as eliminating or reducing de-
6 pendence on income-based public assistance);
7 and

8 “(C) integrate each of—

9 “(i) interactive literacy activities be-
10 tween parents and their children;

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

13 “(iii) parent literacy training, includ-
14 ing training that contributes to economic
15 self-sufficiency; and

16 “(iv) appropriate instruction for chil-
17 dren of parents receiving the parent lit-
18 eracy training.”;

19 (4) in paragraph (8) (as redesignated in para-
20 graph (1)), by adding at the end the following:

21 “Nothing in this paragraph shall be construed to re-
22 quire an agency to provide services to a child who
23 has not reached the age of compulsory school attend-
24 ance for more than the number of hours per day

1 permitted by State law (including regulation) for the
2 provision of services to such a child.”;

3 (5) by striking paragraph (14) (as redesignated
4 in paragraph (1)) and inserting the following:

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

7 “(A) with respect to services for migrant
8 farmworkers, a Head Start program that serves
9 families who are engaged in agricultural labor
10 and who have changed their residence from one
11 geographic location to another in the preceding
12 2-year period; and

13 “(B) with respect to services for seasonal
14 farmworkers, a Head Start program that serves
15 families who are engaged primarily in seasonal
16 agricultural labor and who have not changed
17 their residence to another geographic location in
18 the preceding 2-year period.”; and

19 (6) by adding at the end the following:

20 “(17) The term ‘reliable and replicable’, used
21 with respect to research, means an objective, valid,
22 scientific study that—

23 “(A) includes a rigorously defined sample
24 of subjects, that is sufficiently large and rep-

1 representative to support the general conclusions of
2 the study;

3 “(B) relies on measurements that meet es-
4 tablished standards of reliability and validity;

5 “(C) is subjected to peer review before the
6 results of the study are published; and

7 “(D) discovers effective strategies for en-
8 hancing the development and skills of chil-
9 dren.”.

10 **SEC. 105. FINANCIAL ASSISTANCE FOR HEAD START PRO-**
11 **GRAMS.**

12 Section 638(1) (42 U.S.C. 9833(1)) is amended—

13 (1) by striking “aid the” and inserting “enable
14 the”; and

15 (2) by striking the semicolon and inserting
16 “and attain school readiness;”.

17 **SEC. 106. AUTHORIZATION OF APPROPRIATIONS.**

18 Section 639 (42 U.S.C. 9834) is amended—

19 (1) in subsection (a), by striking “1995 through
20 1998” and inserting “1999 through 2003”; and

21 (2) in subsection (b), by striking all that follows
22 “shall make available—” and inserting the following:

23 “(1) for each of fiscal years 1999 through 2003
24 to carry out activities authorized under section
25 642A, not more than \$35,000,000 but not less than

1 was made available for such activities for fiscal year
2 1998;

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

6 “(3) not more than \$12,000,000 for fiscal year
7 1999, and such sums as may be necessary for each
8 of fiscal years 2000 through 2003, to carry out
9 other research, demonstration, and evaluation activi-
10 ties, including longitudinal studies, under section
11 649.”.

12 **SEC. 107. ALLOTMENT OF FUNDS.**

13 (a) ALLOTMENTS.—Section 640(a) (42 U.S.C.
14 9835(a)) is amended—

15 (1) in paragraph (2)—

16 (A) in subparagraph (A)—

17 (i) by striking “handicapped children”
18 and inserting “children with disabilities”;

19 (ii) by striking “migrant Head Start
20 programs” each place it appears and in-
21 sserting “migrant or seasonal Head Start
22 programs”; and

23 (iii) by striking “1994” and inserting
24 “1998”;

1 (B) in subparagraph (C), by striking
2 “and” at the end;

3 (C) in subparagraph (D), by striking “re-
4 lated to the development and implementation of
5 quality improvement plans under section
6 641A(d)(2).” and inserting “carried out under
7 paragraph (1), (2), or (3) of section 641A(d)
8 related to correcting deficiencies and conducting
9 proceedings to terminate the designation of
10 Head Start agencies; and”;

11 (D) by inserting after subparagraph (D)
12 the following:

13 “(E) payments for research, demonstration, and
14 evaluation activities under section 649.”; and

15 (E) by adding at the end the following: “In
16 determining the need and demand for migrant
17 and seasonal Head Start programs, and serv-
18 ices provided through such programs, the Sec-
19 retary shall consult with appropriate entities,
20 including providers of services for seasonal and
21 migrant Head Start programs. The Secretary
22 shall, after taking into consideration the need
23 and demand for migrant and seasonal Head
24 Start programs, and such services, ensure that
25 there is an adequate level of such services for

1 the children of eligible migrant farmworkers be-
2 fore approving an increase in the allocation pro-
3 vided for children of eligible seasonal farm-
4 workers. In carrying out this subchapter, the
5 Secretary shall continue the administrative ar-
6 rangement responsible for meeting the needs of
7 migrant or seasonal farmworker and Indian
8 children and shall assure that appropriate fund-
9 ing is provided to meet such needs.”;

10 (2) in paragraph (3)—

11 (A) in subparagraph (B)—

12 (i) in clause (ii)—

13 (I) by striking “adequate quali-
14 fied staff” and inserting “adequate
15 numbers of qualified staff”; and

16 (II) by inserting “and children
17 with disabilities” before “, when”;

18 (ii) in clause (iv), by inserting before
19 the period the following: “, and to encour-
20 age the staff to continually improve their
21 skills and expertise by informing the staff
22 of the availability of Federal and State in-
23 centive and loan forgiveness programs for
24 professional development and by providing
25 for preferences in the awarding of salary

1 increases, in excess of cost-of-living allow-
2 ances, to staff who obtain additional train-
3 ing or education related to their respon-
4 sibilities as employees of a Head Start pro-
5 gram or to advance their careers within
6 the Head Start program”;

7 (iii) in clause (vi), by striking the pe-
8 riod and inserting “, and are physically ac-
9 cessible to children with disabilities and
10 their parents.”;

11 (iv) by redesignating clause (vii) as
12 clause (viii); and

13 (v) by inserting after clause (vi) the
14 following:

15 “(vii) Ensuring that such programs have quali-
16 fied staff that can promote language skills and lit-
17 eracy growth of children and that can provide chil-
18 dren with a variety of skills that have been identi-
19 fied, through research that is reliable and replicable,
20 as predictive of later reading achievement.”;

21 (B) in subparagraph (C)—

22 (i) in clause (i)(I)—

23 (I) by striking “of staff” and in-
24 serting “of classroom teachers and
25 other staff”; and

1 (II) by striking “such staff” and
2 inserting “qualified staff, including re-
3 cruitment and retention pursuant to
4 section 648A(a)”;

5 (ii) by striking clause (ii) and insert-
6 ing the following:

7 “(ii) To supplement amounts provided under
8 paragraph (2)(C) to provide training to classroom
9 teachers and other staff on proven techniques that
10 promote—

11 “(I) language and literacy growth; and

12 “(II) the acquisition of the English lan-
13 guage for non-English background children and
14 families.”;

15 (iii) in clause (v), by inserting “acces-
16 sibility or” before “availability”;

17 (iv) by redesignating clauses (iii), (iv),
18 (v), and (vi) as clauses (iv), (v), (vi), and
19 (iii), respectively; and

20 (v) by inserting clause (iii) (as reded-
21 icated in clause (iv) of this subparagraph)
22 after clause (ii); and

23 (C) in subparagraph (D)(i)(II), by striking
24 “migrant Head Start programs” and inserting
25 “migrant or seasonal Head Start programs”;

1 (3) in paragraph (4)(A), by striking “1981”
2 and inserting “1998”;

3 (4) in paragraph (5)—

4 (A) in subparagraph (A), by striking “sub-
5 paragraph (B)” and inserting “subparagraphs
6 (B) and (D)”;

7 (B) in subparagraph (B), by inserting be-
8 fore the period the following: “and to encourage
9 Head Start agencies to collaborate with entities
10 involved in State and local planning processes
11 (including the State lead agency administering
12 the financial assistance received under the Child
13 Care and Development Block Grant Act of
14 1990 (42 U.S.C. 9858 et seq.) and the entities
15 providing resource and referral services in the
16 State) in order to better meet the needs of low-
17 income children and families”;

18 (C) in subparagraph (C)—

19 (i) in clause (i)(I), by inserting “the
20 appropriate regional office of the Adminis-
21 tration for Children and Families and” be-
22 fore “agencies”;

23 (ii) in clause (iii), by striking “and”
24 at the end;

25 (iii) in clause (iv)—

1 (I) by striking “education, and
2 national service activities,” and insert-
3 ing “education, and community serv-
4 ice activities,”;

5 (II) by striking “and activities”
6 and inserting “activities”; and

7 (III) by striking the period and
8 inserting “, and services for homeless
9 children; and”; and

10 (iv) by adding at the end the follow-
11 ing:

12 “(v) include representatives of the State Head
13 Start Association and local Head Start agencies in
14 unified planning regarding early care and education
15 services at both the State and local levels, including
16 collaborative efforts to plan for the provision of full-
17 working-day, full calendar year early care and edu-
18 cation services for children.”;

19 (D) by redesignating subparagraph (D) as
20 subparagraph (F); and

21 (E) by inserting after subparagraph (C)
22 the following:

23 “(D) Following the award of collaboration grants de-
24 scribed in subparagraph (B), the Secretary shall provide,

1 from the reserved sums, supplemental funding for collabo-
2 ration grants—

3 “(i) to States that (in consultation with their
4 State Head Start Associations) develop statewide,
5 regional, or local unified plans for early childhood
6 education and child care that include the participa-
7 tion of Head Start agencies; and

8 “(ii) to States that engage in other innovative
9 collaborative initiatives, including plans for collabo-
10 rative training and career development initiatives for
11 child care, early childhood education, and Head
12 Start service managers, providers, and staff.

13 “(E)(i) The Secretary shall—

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

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

22 “(III) develop a mechanism to resolve adminis-
23 trative and programmatic conflicts between such
24 programs that would be a barrier to service provid-
25 ers, parents, or children related to the provision of

1 unified services and the consolidation of funding for
2 child care services.

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

13 (5) in paragraph (6)—

14 (A) by inserting “(A)” before “From”; and

15 (B) by striking “3 percent” and all that
16 follows and inserting the following: “7.5 percent
17 for fiscal year 1999, 8 percent for fiscal year
18 2000, 9 percent for fiscal year 2001, 10 percent
19 for fiscal year 2002, and 10 percent for fiscal
20 year 2003, of the amount appropriated pursu-
21 ant to section 639(a), except as provided in
22 subparagraph (B).

23 “(B)(i) For any fiscal year for which the Secretary
24 determines that the amount appropriated under section
25 639(a) is not sufficient to permit the Secretary to reserve

1 the portion described in subparagraph (A) without reduc-
2 ing the number of children served by Head Start programs
3 or adversely affecting the quality of Head Start services,
4 relative to the number of children served and the quality
5 of the services during the preceding fiscal year, the Sec-
6 retary may reduce the percentage of funds required to be
7 reserved for the portion described in subparagraph (A) for
8 the fiscal year for which the determination is made, but
9 not below the percentage required to be so reserved for
10 the preceding fiscal year.

11 “(ii) For any fiscal year for which the amount appro-
12 priated under section 639(a) is reduced to a level that re-
13 quires a lower amount to be made available under this
14 subchapter to Head Start agencies and entities described
15 in section 645A, relative to the amount made available to
16 the agencies and entities for the preceding fiscal year, ad-
17 justed as described in paragraph (3)(A)(ii), the Secretary
18 shall proportionately reduce—

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

21 “(II) the amounts made available to Head Start
22 agencies for Head Start programs.”.

23 (b) CHILDREN WITH DISABILITIES.—Section 640(d)
24 (42 U.S.C. 9835(d)) is amended—

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

3 (2) by striking “(as defined in section 602(a) of
4 the Individuals with Disabilities Education Act)”.

5 (c) INCREASED APPROPRIATIONS.—Section 640(g)
6 (42 U.S.C. 9835(g)) is amended—

7 (1) in paragraph (2)—

8 (A) in subparagraph (A), by striking the
9 semicolon and inserting “, and the performance
10 history of the applicant in providing services
11 under other Federal programs (other than the
12 program carried out under this subchapter);”;

13 (B) in subparagraph (C), by striking “spo-
14 ken);” and inserting “spoken, and organizations
15 serving children with disabilities);”;

16 (C) in subparagraph (D), by inserting be-
17 fore the semicolon the following: “and the ex-
18 tent to which, and manner in which, the appli-
19 cant demonstrates the ability to collaborate and
20 participate with other local community provid-
21 ers of child care or preschool services to provide
22 full-working-day, full calendar year services”;

23 (D) in subparagraph (E), by striking “pro-
24 gram; and” and inserting “program or any
25 other early childhood program;”;

1 (E) in subparagraph (F), by striking the
2 period and inserting “; and”; and

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

4 “(G) the extent to which the applicant proposes
5 to foster partnerships with other service providers in
6 a manner that will enhance the resource capacity of
7 the applicant.”; and

8 (2) by adding at the end the following:

9 “(4) Notwithstanding subsection (a)(2), after taking
10 into account the provisions of paragraph (1), the Secretary
11 may allocate a portion of the remaining additional funds
12 under subsection (a)(2)(A) for the purpose of increasing
13 funds available for the activities described in such sub-
14 section.”.

15 (d) MIGRANT OR SEASONAL HEAD START PRO-
16 GRAMS.—Section 640(l) (42 U.S.C. 9835(l)) is amend-
17 ed—

18 (1) by striking “migrant Head Start programs”
19 each place it appears and inserting “migrant or sea-
20 sonal Head Start programs”; and

21 (2) by striking “migrant families” and inserting
22 “migrant or seasonal farmworker families”.

23 (e) CONFORMING AMENDMENT.—Section 644(f)(2)
24 (42 U.S.C. 9839(f)(2)) is amended by striking
25 “640(a)(3)(C)(v)” and inserting “640(a)(3)(C)(vi)”.

1 **SEC. 108. DESIGNATION OF HEAD START AGENCIES.**

2 Section 641 (42 U.S.C. 9836) is amended—

3 (1) in subsection (a)—

4 (A) in the matter preceding paragraph (1),
5 by inserting “or for-profit” after “nonprofit”;
6 and

7 (B) in paragraph (2), by inserting “(in
8 consultation with the chief executive officer of
9 the State in which the community is located)”
10 after “the Secretary”;

11 (2) in subsection (c)—

12 (A) in paragraph (1)—

13 (i) by striking “shall give priority”
14 and inserting “shall, in consultation with
15 the chief executive officer of the State, give
16 priority”;

17 (ii) by inserting “or for-profit” after
18 “nonprofit”; and

19 (iii) by striking “unless the Secretary
20 makes a finding” and all that follows and
21 inserting the following: “unless the Sec-
22 retary determines that the agency involved
23 fails to meet program and financial man-
24 agement requirements, performance stand-
25 ards described in section 641A(a)(1), or

1 other requirements established by the Sec-
2 retary.”;

3 (B) in paragraph (2), by striking “shall
4 give priority” and inserting “shall, in consulta-
5 tion with the chief executive officer of the State,
6 give priority”; and

7 (C) by aligning the margins of paragraphs
8 (2) and (3) with the margins of paragraph (1);
9 (3) in subsection (d)—

10 (A) in the matter preceding paragraph (1),
11 by inserting after the first sentence the follow-
12 ing new sentence: “In selecting from among
13 qualified applicants for designation as a Head
14 Start agency, the Secretary shall give priority
15 to any qualified agency that functioned as a
16 delegate agency in the community and carried
17 out a Head Start program that the Secretary
18 determines has met or exceeded the perform-
19 ance standards and outcome-based performance
20 measures described in section 641A.”;

21 (B) in paragraph (4)(A), by inserting “(at
22 home and in the center involved where prac-
23 ticable)” after “activities”;

1 (C) by redesignating paragraphs (7) and
2 (8) as paragraphs (9) and (10), respectively;
3 and

4 (D) by inserting after paragraph (6) the
5 following:

6 “(7) the plan of such applicant to meet the
7 needs of non-English background children and their
8 families, including needs related to the acquisition of
9 the English language;

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

12 (4) by striking subsection (e) and inserting the
13 following:

14 “(e) If no agency in the community receives priority
15 designation under subsection (c), and there is no qualified
16 applicant in the community, the Secretary shall designate
17 a qualified agency to carry out the Head Start program
18 in the community on an interim basis until a qualified ap-
19 plicant from the community is so designated.”; and

20 (5) by adding at the end the following:

21 “(g) If the Secretary determines that a nonprofit
22 agency and a for-profit agency have submitted applica-
23 tions for designation of equivalent quality under sub-
24 section (d), the Secretary may give priority to the non-
25 profit agency.”.

1 **SEC. 109. QUALITY STANDARDS.**

2 (a) QUALITY STANDARDS.—Section 641A(a) (42
3 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)
15 the following:

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

21 “(ii) additional education performance
22 standards to ensure that the children partici-
23 pating in the program, at a minimum—

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

1 “(II) understand and use oral lan-
2 guage to communicate needs, wants, and
3 thoughts;

4 “(III) understand and use increas-
5 ingly 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) by redesignating paragraphs (3) and (4) as
13 paragraphs (2) and (3), respectively;

14 (4) in paragraph (2) (as redesignated in para-
15 graph (3))—

16 (A) in subparagraph (B)(iii), by striking
17 “child” and inserting “early childhood edu-
18 cation and”; and

19 (B) in subparagraph (C)—

20 (i) in clause (i)—

21 (I) by striking “not later than 1
22 year after the date of enactment of
23 this section,”; and

1 (II) by striking “section 651(b)”
2 and all that follows and inserting
3 “this subsection; and”; and

4 (ii) in subclause (ii), by striking “No-
5 vember 2, 1978” and inserting “the date
6 of enactment of the Coats Human Services
7 Reauthorization Act of 1998”; and

8 (5) in paragraph (3) (as redesignated in para-
9 graph (3)), by striking “to an agency (referred to in
10 this subchapter as the “delegate agency”)” and in-
11 sserting “to a delegate agency”.

12 (b) PERFORMANCE MEASURES.—Section 641A(b)
13 (42 U.S.C. 9836a(b)) is amended—

14 (1) in the subsection heading, by inserting
15 “OUTCOME-BASED” before “PERFORMANCE”;

16 (2) in paragraph (1)—

17 (A) by striking “Not later than 1 year
18 after the date of enactment of this section, the”
19 and inserting “The”;

20 (B) by striking “child” and inserting
21 “early childhood education and”;

22 (C) by striking “(referred” and inserting
23 “, and the impact of the services provided
24 through the programs to children and their
25 families (referred”;

1 (D) by striking “performance measures”
2 and inserting “outcome-based performance
3 measures”; and

4 (E) by adding at the end the following:
5 “The performance measures shall include the
6 performance standards described in subsection
7 (a)(1)(B)(ii).”; and
8 (3) in paragraph (2)—

9 (A) in the paragraph heading, by striking
10 “DESIGN” and inserting “CHARACTERISTICS”;

11 (B) in the matter preceding subparagraph
12 (A), by striking “shall be designed—” and in-
13 serting “shall—”;

14 (C) in subparagraph (A), by striking “to
15 assess” and inserting “be used to assess the im-
16 pact of”;

17 (D) in subparagraph (B)—

18 (i) by striking “to”; and

19 (ii) by striking “and peer review” and
20 inserting “, peer review, and program eval-
21 uation”; and

22 (E) in subparagraph (C), by inserting “be
23 developed” before “for other”.

24 (c) MONITORING.—Section 641A(c)(2) (42 U.S.C.
25 9836a(c)(2)) is amended—

1 (1) in subparagraph (B), by striking “; and”
2 and inserting a semicolon;

3 (2) in subparagraph (C)—

4 (A) by inserting “(including children with
5 disabilities)” after “eligible children”; and

6 (B) by striking the period and inserting “;
7 and”; and

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

9 “(D) as part of the reviews of the pro-
10 grams, include a review and assessment of pro-
11 gram effectiveness, as measured in accordance
12 with the outcome-based performance measures
13 developed pursuant to subsection (b) and with
14 the performance standards established pursuant
15 to subparagraphs (A) and (B) of subsection
16 (a)(1).”.

17 (d) TERMINATION.—Section 641A(d) (42 U.S.C.
18 9836a(d)) is amended—

19 (1) in paragraph (1)(B), to read as follows:

20 “(B) with respect to each identified defi-
21 ciency, require the agency—

22 “(i) to correct the deficiency imme-
23 diately, if the Secretary finds that the defi-
24 ciency threatens the health or safety of

1 staff or program participants or poses a
2 threat to the integrity of Federal funds;

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

9 “(iii) in the discretion of the Sec-
10 retary (taking into consideration the seri-
11 ousness of the deficiency and the time rea-
12 sonably required to correct the deficiency),
13 to comply with the requirements of para-
14 graph (2) concerning a quality improve-
15 ment plan; and”;

16 (2) in paragraph (2)(A), in the matter preced-
17 ing clause (i), by striking “able to correct a defi-
18 ciency immediately” and inserting “required to cor-
19 rect a deficiency immediately or during a 90-day pe-
20 riod under clause (i) or (ii) of paragraph (1)(B)”.

21 **SEC. 110. POWERS AND FUNCTIONS OF HEAD START AGEN-**

22 **CIES.**

23 Section 642 (42 U.S.C. 9837) is amended—

24 (1) in subsection (a), by inserting “or for-prof-
25 it” after “nonprofit”;

1 (2) in subsection (c)—

2 (A) by inserting “and collaborate” after
3 “coordinate”; and

4 (B) by striking “section 402(g) of the So-
5 cial Security Act, and other” and inserting “the
6 State program carried out under the Child Care
7 and Development Block Grant Act of 1990 (42
8 U.S.C. 9858 et seq.), and other early childhood
9 education and development”; and

10 (3) in subsection (d)—

11 (A) in paragraph (1)—

12 (i) by striking “shall carry out” and
13 all that follows through “maintain” and in-
14 sserting “shall take steps to ensure, to the
15 maximum extent possible, that children
16 maintain”;

17 (ii) by striking “developmental” and
18 inserting “developmental and educational”;
19 and

20 (iii) by striking “to build” and insert-
21 ing “build”;

22 (B) by striking paragraph (2);

23 (C) by redesignating paragraphs (3)
24 through (5) as paragraphs (2) through (4), re-
25 spectively; and

1 (D) in subparagraph (A) of paragraph (4)
2 (as redesignated in subparagraph (C)), by strik-
3 ing “the Head Start Transition Project Act (42
4 U.S.C. 9855 et seq.)” and inserting “section
5 642A”.

6 **SEC. 111. HEAD START TRANSITION.**

7 The Head Start Act (42 U.S.C. 9831 et seq.) is
8 amended by inserting after section 642 the following:

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

10 “Each Head Start agency shall take steps to coordi-
11 nate with the local educational agency serving the commu-
12 nity involved and with schools in which children participat-
13 ing in a Head Start program operated by such agency will
14 enroll following such program, including—

15 “(1) developing and implementing a systematic
16 procedure for transferring, with parental consent,
17 Head Start program records for each participating
18 child to the school in which such child will enroll;

19 “(2) establishing channels of communication be-
20 tween Head Start staff and their counterparts in the
21 schools (including teachers, social workers, and
22 health staff) to facilitate coordination of programs;

23 “(3) conducting meetings involving parents,
24 kindergarten or elementary school teachers, and

1 Head Start program teachers to discuss the develop-
2 mental and other needs of individual children;

3 “(4) organizing and participating in joint tran-
4 sition-related training of school staff and Head Start
5 staff;

6 “(5) developing and implementing a family out-
7 reach and support program in cooperation with enti-
8 ties carrying out parental involvement efforts under
9 title I of the Elementary and Secondary Education
10 Act of 1965 (20 U.S.C. 6301 et seq.); and

11 “(6) assisting families, administrators, and
12 teachers in enhancing continuity in child develop-
13 ment between Head Start services and elementary
14 school classes.”.

15 **SEC. 112. SUBMISSION OF PLANS TO GOVERNORS.**

16 The first sentence of section 643 (42 U.S.C. 9838)
17 is amended—

18 (1) by striking “within 30 days” and inserting
19 “within 45 days”; and

20 (2) by striking “so disapproved” and inserting
21 “disapproved (for reasons other than failure of the
22 program to comply with State health, safety, and
23 child care laws, including regulations, applicable to
24 comparable child care programs within the State)”.

1 **SEC. 113. PARTICIPATION IN HEAD START PROGRAMS.**

2 (a) REGULATIONS.—Section 645(a)(1) (42 U.S.C.
3 9840(a)(1)) is amended—

4 (1) in subparagraph (B), by striking “that pro-
5 grams” and inserting “that (i) programs”; and

6 (2) by striking the period at the end of sub-
7 paragraph (B) and inserting the following: “, and
8 (ii) a child who has been determined to meet the
9 low-income criteria and who is participating in a
10 Head Start program in a program year shall be con-
11 sidered to continue to meet the low-income criteria
12 through the end of the succeeding program year. In
13 determining, for purposes of this paragraph, whether
14 a child who has applied for enrollment in a Head
15 Start program meets the low-income criteria, an en-
16 tity may consider evidence of family income during
17 the 12 months preceding the month in which the ap-
18 plication is submitted, or during the calendar year
19 preceding the calendar year in which the application
20 is submitted, whichever more accurately reflects the
21 needs of the family at the time of application.”.

22 (b) SLIDING FEE SCALE.—Section 645(b) (42 U.S.C.
23 9840(b)) is amended by adding at the end the following:
24 “A Head Start agency that provides a Head Start pro-
25 gram with full-working-day services in collaboration with
26 other agencies or entities may collect a family copayment

1 to support extended day services if a copayment is re-
 2 quired in conjunction with the collaborative. The copay-
 3 ment charged to families receiving services through the
 4 Head Start program shall not exceed the copayment
 5 charged to families with similar incomes and cir-
 6 cumstances who are receiving the services through partici-
 7 pation in a program carried out by another agency or en-
 8 tity.”.

9 (c) CONTINUOUS RECRUITMENT AND ACCEPTANCE
 10 OF APPLICATIONS.—Section 645(c) (42 U.S.C. 9840(c))
 11 is amended by adding at the end the following: “Each
 12 Head Start program operated in a community shall be
 13 permitted to recruit and accept applications for enrollment
 14 of children throughout the year.”.

15 **SEC. 114. EARLY HEAD START PROGRAMS FOR FAMILIES**
 16 **WITH INFANTS AND TODDLERS.**

17 Section 645A (42 U.S.C. 9840a) is amended—

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

20 (2) in subsection (a)—

21 (A) by striking “for—” and all that follows
 22 through “programs providing” and inserting
 23 “for programs providing”;

24 (B) by striking “; and” and inserting a pe-
 25 riod; and

- 1 (C) by striking paragraph (2);
- 2 (3) in subsection (b)(5), by inserting “(includ-
3 ing programs for infants and toddlers with disabil-
4 ities)” after “community”;
- 5 (4) in subsection (c)—
- 6 (A) in the matter preceding paragraph (1),
7 by striking “subsection (a)(1)” and inserting
8 “subsection (a)”; and
- 9 (B) in paragraph (2), by striking “3 (or
10 under” and all that follows and inserting “3;”;
- 11 (5) in subsection (d)—
- 12 (A) by striking paragraph (2); and
- 13 (B) by redesignating paragraph (3) as
14 paragraph (2);
- 15 (6) by striking subsection (e);
- 16 (7) by redesignating subsections (f) and (g) as
17 subsections (e) and (f), respectively;
- 18 (8) in subsection (e) (as redesignated in para-
19 graph (7))—
- 20 (A) in the subsection heading, by striking
21 “OTHER”; and
- 22 (B) by striking “From the balance remain-
23 ing of the portion specified in section 640(a)(6),
24 after making grants to the eligible entities spec-

1 ified in subsection (e),” and inserting “From
2 the portion specified in section 640(a)(6),”; and
3 (9) by striking subsection (h) and inserting the
4 following:

5 “(g) MONITORING, TRAINING, TECHNICAL ASSIST-
6 ANCE, AND EVALUATION.—In order to ensure the success-
7 ful operation of programs assisted under this section, the
8 Secretary shall use funds from the portion specified in sec-
9 tion 640(a)(6) to monitor the operation of such programs,
10 evaluate their effectiveness, and provide training and tech-
11 nical assistance tailored to the particular needs of such
12 programs.

13 “(h) TRAINING AND TECHNICAL ASSISTANCE AC-
14 COUNT.—

15 “(1) IN GENERAL.—Of the amount made avail-
16 able to carry out this section for any fiscal year, not
17 less than 5 percent and not more than 10 percent
18 shall be reserved to fund a training and technical as-
19 sistance account.

20 “(2) ACTIVITIES.—Funds in the account may
21 be used by the Secretary for purposes including—

22 “(A) making grants to, and entering into
23 contracts with, organizations with specialized
24 expertise relating to infants, toddlers, and fami-
25 lies and the capacity needed to provide direction

1 and support to a national training and technical
2 assistance system, in order to provide such di-
3 rection and support;

4 “(B) providing ongoing training and tech-
5 nical assistance for regional and program staff
6 charged with monitoring and overseeing the ad-
7 ministration of the program carried out under
8 this section;

9 “(C) providing ongoing training and tech-
10 nical assistance for recipients of grants under
11 subsection (a) and support and program plan-
12 ning and implementation assistance for new re-
13 cipients of such grants; and

14 “(D) providing professional development
15 and personnel enhancement activities, including
16 the provision of funds to recipients of grants
17 under subsection (a) for the recruitment and re-
18 tention of qualified staff with an appropriate
19 level of education and experience.”.

20 **SEC. 115. TECHNICAL ASSISTANCE AND TRAINING.**

21 (a) **FULL-WORKING-DAY, FULL CALENDAR YEAR**
22 **SERVICES.**—Section 648(b) (42 U.S.C. 9843(b)) is
23 amended—

24 (1) in paragraph (1), by striking “; and” and
25 inserting a semicolon;

1 (2) in paragraph (2), by striking the period and
2 inserting “; and”; and

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

4 “(3) ensure the provision of technical assistance
5 to assist Head Start agencies, entities carrying out
6 other child care and early childhood programs, com-
7 munities, and States in collaborative efforts to pro-
8 vide quality full-working-day, full calendar year serv-
9 ices, including technical assistance related to identi-
10 fying and assisting in resolving barriers to collabora-
11 tion.”.

12 (b) ALLOCATING RESOURCES.—Section 648(c) (42
13 U.S.C. 9843(c)) is amended—

14 (1) in paragraph (4)—

15 (A) by striking “developing” and inserting
16 “developing and implementing”; and

17 (B) by striking “a longer day;” and insert-
18 ing the following: “the day, and assist the agen-
19 cies and programs in expediting the sharing of
20 information about innovative models for provid-
21 ing full-working-day, full calendar year services
22 for children;”;

23 (2) in paragraph (7), by striking “; and” and
24 inserting a semicolon;

1 (3) in paragraph (8), by striking the period and
2 inserting “; and”; and

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

4 “(9) assist Head Start agencies in—

5 “(A) ensuring the school readiness of chil-
6 dren; and

7 “(B) meeting the education performance
8 standards described in this subchapter.”.

9 (c) SERVICES.—Section 648(e) (42 U.S.C. 9843(e))
10 is amended by inserting “(including services to promote
11 the acquisition of the English language)” after “non-
12 English language background children”.

13 **SEC. 116. STAFF QUALIFICATIONS AND DEVELOPMENT.**

14 Section 648A(a) (42 U.S.C. 9843a(a)) is amended—

15 (1) in paragraph (1)—

16 (A) by redesignating subparagraphs (B)
17 through (D) as clauses (ii) through (iv), respec-
18 tively;

19 (B) by striking “(A)” and inserting
20 “(B)(i)”; and

21 (C) by inserting before subparagraph (B)
22 (as redesignated in subparagraph (B) of this
23 paragraph) the following:

24 “(A) demonstrated competency to perform
25 functions that include—

1 “(i) planning and implementing learn-
2 ing experiences that advance the intellec-
3 tual and physical development of children,
4 including improving the readiness of chil-
5 dren for school by developing their literacy
6 and phonemic, print, and numeracy aware-
7 ness, their understanding and use of oral
8 language, their understanding and use of
9 increasingly complex and varied vocabu-
10 lary, their appreciation of books, and their
11 problem solving abilities;

12 “(ii) establishing and maintaining a
13 safe, healthy learning environment;

14 “(iii) supporting the social and emo-
15 tional development of children; and

16 “(iv) encouraging the involvement of
17 the families of the children in a Head
18 Start program and supporting the develop-
19 ment of relationships between children and
20 their families; and”;

21 (2) by striking paragraph (2) and inserting the
22 following:

23 “(2) WAIVER.—On request, the Secretary shall
24 grant a 180-day waiver of the requirements of para-
25 graph (1)(B), for a Head Start agency that can

1 demonstrate that the agency has unsuccessfully at-
 2 tempted to recruit an individual who has a creden-
 3 tial, certificate, or degree described in paragraph
 4 (1)(B), with respect to an individual who—

5 “(A) is enrolled in a program that grants
 6 any such credential, certificate, or degree; and

7 “(B) will receive such credential, certifi-
 8 cate, or degree under the terms of such pro-
 9 gram not later than 180 days after beginning
 10 employment as a teacher with such agency.”.

11 **SEC. 117. RESEARCH, DEMONSTRATION, AND EVALUATION.**

12 (a) **COMPARATIVE STUDIES.**—Section 649(d) (42
 13 U.S.C. 9844(d)) is amended—

14 (1) in paragraph (6), by striking “; and” and
 15 inserting a semicolon;

16 (2) in paragraph (7), by striking the period and
 17 inserting “; and”; and

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

19 “(8) study the experiences of small, medium,
 20 and large States with Head Start programs in order
 21 to permit comparisons of children participating in
 22 the programs with eligible children who did not par-
 23 ticipate in the programs, which study—

1 “(A) may include the use of a data set
2 that existed prior to the initiation of the study;
3 and

4 “(B) shall compare the educational
5 achievement, social adaptation, and health sta-
6 tus of the participating children and the eligible
7 nonparticipating children.

8 The Secretary shall ensure that an appropriate entity car-
9 ries out a study described in paragraph (8), and prepares
10 and submits to the appropriate committees of Congress
11 a report containing the results of the study, not later than
12 September 30, 2002.”.

13 (b) NATIONAL RESEARCH.—Section 649 (42 U.S.C.
14 9844) is amended by adding at the end the following:

15 “(g) NATIONAL HEAD START IMPACT RESEARCH.—

16 “(1) EXPERT PANEL.—

17 “(A) IN GENERAL.—The Secretary shall
18 appoint an independent panel consisting of ex-
19 perts in program evaluation and research, edu-
20 cation, and early childhood programs—

21 “(i) to review, and make recommenda-
22 tions on, the design and plan for the re-
23 search (whether conducted as a single as-
24 sessment or as a series of assessments),
25 described in paragraph (2), within 1 year

1 after the date of enactment of the Coats
2 Human Services Reauthorization Act of
3 1998;

4 “(ii) to maintain and advise the Sec-
5 retary regarding the progress of the re-
6 search; and

7 “(iii) to comment, if the panel so de-
8 sires, on the interim and final research re-
9 ports submitted under paragraph (7).

10 “(B) TRAVEL EXPENSES.—The members
11 of the panel shall not receive compensation for
12 the performance of services for the panel, but
13 shall be allowed travel expenses, including per
14 diem in lieu of subsistence, at rates authorized
15 for employees of agencies under subchapter I of
16 chapter 57 of title 5, United States Code, while
17 away from their homes or regular places of
18 business in the performance of services for the
19 panel. Notwithstanding section 1342 of title 31,
20 United States Code, the Secretary may accept
21 the voluntary and uncompensated services of
22 members of the panel.

23 “(2) GENERAL AUTHORITY.—After reviewing
24 the recommendations of the expert panel, the Sec-
25 retary shall enter into a grant, contract, or coopera-

1 tive agreement with an organization to conduct inde-
2 pendent research that provides a national analysis of
3 the impact of Head Start programs. The Secretary
4 shall ensure that the organization shall have exper-
5 tise in program evaluation, and research, education,
6 and early childhood programs.

7 “(3) DESIGNS AND TECHNIQUES.—The Sec-
8 retary shall ensure that the research uses rigorous
9 methodological designs and techniques (based on the
10 recommendations of the expert panel), including lon-
11 gitudinal designs, control groups, nationally recog-
12 nized standardized measures, and random selection
13 and assignment, as appropriate. The Secretary may
14 provide that the research shall be conducted as a
15 single comprehensive assessment or as a group of co-
16 ordinated assessments designed to provide, when
17 taken together, a national analysis of the impact of
18 Head Start programs.

19 “(4) PROGRAMS.—The Secretary shall ensure
20 that the research focuses primarily on Head Start
21 programs that operate in the 50 States, the Com-
22 monwealth of Puerto Rico, or the District of Colum-
23 bia and that do not specifically target special popu-
24 lations.

1 “(5) ANALYSIS.—The Secretary shall ensure
2 that the organization conducting the research—

3 “(A)(i) determines if, overall, the Head
4 Start programs have impacts consistent with
5 their primary goal of increasing the social com-
6 petence of children, by increasing the everyday
7 effectiveness of the children in dealing with
8 their present environments and future respon-
9 sibilities, and increasing their school readiness;

10 “(ii) considers whether the Head Start
11 programs—

12 “(I) enhance the growth and develop-
13 ment of children in cognitive, emotional,
14 and physical health areas;

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

17 “(III) ensure that children attain
18 school readiness; and

19 “(iii) examines—

20 “(I) the impact of the Head Start
21 programs on increasing access of children
22 to such services as educational, health, and
23 nutritional services, and linking children
24 and families to needed community services;
25 and

1 “(II) how receipt of services described
2 in subclause (I) enriches the lives of chil-
3 dren and families participating in Head
4 Start programs;

5 “(B) examines the impact of Head Start
6 programs on participants on the date the par-
7 ticipants leave Head Start programs, at the end
8 of kindergarten (in public or private school),
9 and at the end of first grade (in public or pri-
10 vate school), by examining a variety of factors,
11 including educational achievement, referrals for
12 special education or remedial course work, and
13 absenteeism;

14 “(C) makes use of random selection from
15 the population of all Head Start programs de-
16 scribed in paragraph (4) in selecting programs
17 for inclusion in the research; and

18 “(D) includes comparisons of individuals
19 who participate in Head Start programs with
20 control groups (including comparison groups)
21 composed of—

22 “(i) individuals who participate in
23 other public or private early childhood pro-
24 grams (such as public or private preschool
25 programs and day care); and

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

3 “(6) CONSIDERATION OF SOURCES OF VARI-
4 ATION.—In designing the research, the Secretary
5 shall, to the extent practicable, consider addressing
6 possible sources of variation in impact of Head Start
7 programs, including variations in impact related to
8 such factors as—

9 “(A) Head Start program operations;

10 “(B) Head Start program quality;

11 “(C) the length of time a child attends a
12 Head Start program;

13 “(D) the age of the child on entering the
14 Head Start program;

15 “(E) the type of organization (such as a
16 local educational agency or a community action
17 agency) providing services for the Head Start
18 program;

19 “(F) the number of hours and days of pro-
20 gram operation of the Head Start program
21 (such as whether the program is a full-working-
22 day, full calendar year program, a part-day pro-
23 gram, or a part-year program); and

24 “(G) other characteristics and features of
25 the Head Start program (such as geographic lo-

1 cation, location in an urban or a rural service
2 area, or participant characteristics), as appro-
3 priate.

4 “(7) REPORTS.—

5 “(A) SUBMISSION OF INTERIM REPORTS.—

6 The organization shall prepare and submit to
7 the Secretary two interim reports on the re-
8 search. The first interim report shall describe
9 the design of the research, and the rationale for
10 the design, including a description of how po-
11 tential sources of variation in impact of Head
12 Start programs have been considered in design-
13 ing the research. The second interim report
14 shall describe the status of the research and
15 preliminary findings of the research, as appro-
16 priate.

17 “(B) SUBMISSION OF FINAL REPORT.—

18 The organization shall prepare and submit to
19 the Secretary a final report containing the find-
20 ings of the research.

21 “(C) TRANSMITTAL OF REPORTS TO CON-
22 GRESS.—

23 “(i) IN GENERAL.—The Secretary
24 shall transmit, to the committees described
25 in clause (ii), the first interim report by

1 September 30, 1999, the second interim
2 report by September 30, 2001, and the
3 final report by September 30, 2003.

4 “(ii) COMMITTEES.—The committees
5 referred to in clause (i) are the Committee
6 on Education and the Workforce of the
7 House of Representatives and the Commit-
8 tee on Labor and Human Resources of the
9 Senate.

10 “(8) DEFINITION.—In this subsection, the term
11 ‘impact’, used with respect to a Head Start pro-
12 gram, means a difference in an outcome for a partic-
13 ipant in the program that would not have occurred
14 without the participation in the program.

15 “(h) QUALITY IMPROVEMENT STUDY.—

16 “(1) STUDY.—The Secretary shall conduct a
17 study regarding the use and effects of use of the
18 quality improvement funds made available under sec-
19 tion 640(a)(3) of the Head Start Act (42 U.S.C.
20 9835(a)(3)) since fiscal year 1991.

21 “(2) REPORT.—The Secretary shall prepare
22 and submit to Congress not later than September
23 2000 a report containing the results of the study, in-
24 cluding—

1 “(A) the types of activities funded with the
2 quality improvement funds;

3 “(B) the extent to which the use of the
4 quality improvement funds has accomplished
5 the goals of section 640(a)(3)(B);

6 “(C) the effect of use of the quality im-
7 provement funds on teacher training, salaries,
8 benefits, recruitment, and retention; and

9 “(D) the effect of use of the quality im-
10 provement funds on the cognitive and social de-
11 velopment of children receiving services under
12 this subchapter.”.

13 **SEC. 118. REPEAL.**

14 The Head Start Transition Project Act (42 U.S.C.
15 9855 et seq.) is repealed.

16 **TITLE II—COMMUNITY SERV-**
17 **ICES BLOCK GRANT PRO-**
18 **GRAM**

19 **SEC. 201. REAUTHORIZATION.**

20 The Community Services Block Grant Act (42 U.S.C.
21 9901 et seq.) is amended to read as follows:

1 **“Subtitle B—Community Services**
2 **Block Grant Program**

3 **“SEC. 671. SHORT TITLE.**

4 “‘This subtitle may be cited as the ‘Community Serv-
5 ices Block Grant Act’.

6 **“SEC. 672. PURPOSES AND GOALS.**

7 “‘The purposes of this subtitle are—

8 “(1) to provide financial assistance to States
9 and local communities, working through a network
10 of community action agencies and other neighbor-
11 hood-based organizations, for the reduction of pov-
12 erty, the revitalization of low-income communities,
13 and the empowerment of low-income families and in-
14 dividuals in rural and urban areas to become fully
15 self-sufficient (particularly families who are attempt-
16 ing to transition off a State program carried out
17 under part A of title IV of the Social Security Act
18 (42 U.S.C. 601 et seq.)); and

19 “(2) to accomplish the goals described in para-
20 graph (1) through—

21 “(A) the strengthening of community capa-
22 bilities for planning and coordinating the use of
23 a broad range of Federal, State, and other as-
24 sistance related to the elimination of poverty, so

1 that this assistance can be used in a manner re-
2 sponsive to local needs and conditions;

3 “(B) the organization of a range of serv-
4 ices related to the needs of low-income families
5 and individuals, so that these services may have
6 a measurable and potentially major impact on
7 the causes of poverty in the community and
8 may help the families and individuals to achieve
9 self-sufficiency;

10 “(C) the use of innovative and effective
11 community-based approaches to attacking the
12 causes and effects of poverty and of community
13 breakdown;

14 “(D) the development and implementation
15 of all programs designated to serve low-income
16 communities and groups with the maximum
17 feasible participation of residents of the com-
18 munities and members of the groups served, so
19 as to best stimulate and take full advantage of
20 capabilities for self-advancement and assure
21 that the programs are otherwise meaningful to
22 the intended beneficiaries of the programs; and

23 “(E) the broadening of the resource base
24 of programs directed to the elimination of pov-
25 erty.

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
7 the date of enactment of the Coats Human
8 Services Reauthorization Act of 1998) as of the
9 day before such date of enactment or is des-
10 ignated by the process described in section
11 676A (including an organization serving mi-
12 grant or seasonal farmworkers that is so de-
13 scribed or designated); and

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

17 “(2) POVERTY LINE.—The term ‘poverty line’
18 means the official poverty line defined by the Office
19 of Management and Budget based on Bureau of the
20 Census data. The Secretary shall revise annually (or
21 at any shorter interval the Secretary determines to
22 be feasible and desirable) the poverty line, which
23 shall be used as a criterion of eligibility in the com-
24 munity services block grant program established
25 under this subtitle. The required revision shall be ac-
26 complished by multiplying the official poverty line by

1 the percentage change in the Consumer Price Index
2 for All Urban Consumers during the annual or other
3 interval immediately preceding the time at which the
4 revision is made. Whenever a State determines that
5 it serves the objectives of the block grant program
6 established under this subtitle, the State may revise
7 the poverty line to not to exceed 125 percent of the
8 official poverty line otherwise applicable under this
9 paragraph.

10 “(3) PRIVATE, NONPROFIT ORGANIZATION.—

11 The term ‘private, nonprofit organization’ includes a
12 faith-based organization, to which the provisions of
13 section 679 shall apply.

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

16 “(5) STATE.—The term ‘State’ means each of
17 the several States, the District of Columbia, the
18 Commonwealth of Puerto Rico, Guam, the United
19 States Virgin Islands, American Samoa, the Com-
20 monwealth of the Northern Mariana Islands, and
21 the combined Freely Associated States.

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

23 “(a) IN GENERAL.—There are authorized to be ap-
24 propriated \$625,000,000 for fiscal year 1999 and such
25 sums as may be necessary for each of fiscal years 2000

1 through 2003 to carry out the provisions of this subtitle
2 (other than sections 681 and 682).

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

6 “(1) $\frac{1}{2}$ of 1 percent for carrying out section
7 675A (relating to payments for territories);

8 “(2) not less than $\frac{1}{2}$ of 1 percent and not more
9 than 1 percent for activities authorized in section
10 678A (relating to training and technical assistance);
11 and

12 “(3) 9 percent for carrying out section 680 (re-
13 lating to discretionary activities).

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

15 “The Secretary is authorized to establish a commu-
16 nity services block grant program and make grants
17 through the program to States to ameliorate the causes
18 of poverty in communities within the States.

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

20 “(a) APPORTIONMENT.—The Secretary shall appor-
21 tion the amount reserved under section 674(b)(1) for each
22 fiscal year on the basis of need among Guam, American
23 Samoa, the United States Virgin Islands, the Common-
24 wealth of the Northern Mariana Islands, and the combined
25 Freely Associated States.

1 “(b) APPLICATION.—Each jurisdiction to which sub-
2 section (a) applies may receive a grant under this subtitle
3 for the amount apportioned under subsection (a) on sub-
4 mitting to the Secretary, and obtaining approval of, an
5 application, containing provisions that describe the pro-
6 grams for which assistance is sought under this subtitle,
7 that is prepared in accordance with, and contains the in-
8 formation described in, section 676.

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

10 “(a) ALLOTMENTS IN GENERAL.—The Secretary
11 shall, from the amount appropriated under section 674(a)
12 for each fiscal year that remains after the Secretary makes
13 the reservations required in section 674(b), allot to each
14 State (subject to section 677) an amount that bears the
15 same ratio to such remaining amount as the amount re-
16 ceived by the State for fiscal year 1981 under section 221
17 of the Economic Opportunity Act of 1964 bore to the total
18 amount received by all States for fiscal year 1981 under
19 such section, except that no State shall receive less than
20 $\frac{1}{4}$ of 1 percent of the amount appropriated under section
21 674(a) for such fiscal year.

22 “(b) ALLOTMENTS IN YEARS WITH GREATER AVAIL-
23 ABLE FUNDS.—

24 “(1) MINIMUM ALLOTMENTS.—Subject to para-
25 graphs (2) and (3), if the amount appropriated

1 under section 674(a) for a fiscal year that remains
2 after the Secretary makes the reservations required
3 in section 674(b) exceeds \$345,000,000, the Sec-
4 retary shall allot to each State not less than $\frac{1}{2}$ of
5 1 percent of the amount appropriated under section
6 674(a) for such fiscal year.

7 “(2) MAINTENANCE OF FISCAL YEAR 1990 LEV-
8 ELS.—Paragraph (1) shall not apply with respect to
9 a fiscal year if the amount allotted under subsection
10 (a) to any State for that year is less than the
11 amount allotted under section 674(a)(1) (as in effect
12 on September 30, 1989) to such State for fiscal year
13 1990.

14 “(3) MAXIMUM ALLOTMENTS.—The amount al-
15 lotted under paragraph (1) to a State for a fiscal
16 year shall be reduced, if necessary, so that the ag-
17 gregate amount allotted to such State under such
18 paragraph and subsection (a) does not exceed 140
19 percent of the aggregate amount allotted to such
20 State under the corresponding provisions of this sub-
21 title for the preceding fiscal year.

22 “(c) PAYMENTS.—The Secretary shall make grants
23 to eligible States for the allotments described in sub-
24 sections (a) and (b). The Secretary shall make payments

1 for the grants in accordance with section 6503(a) of title
2 31, United States Code.

3 “(d) DEFINITION.—For purposes of this section, the
4 term ‘State’ does not include Guam, American Samoa, the
5 United States Virgin Islands, the Commonwealth of the
6 Northern Mariana Islands, and the Freely Associated
7 States.

8 **“SEC. 675C. USES OF FUNDS.**

9 “(a) GRANTS TO ELIGIBLE ENTITIES AND OTHER
10 ORGANIZATIONS.—

11 “(1) IN GENERAL.—Not less than 90 percent of
12 the funds made available to a State under section
13 675A or 675B shall be used by the State to make
14 grants for the purposes described in section 672 to
15 eligible entities.

16 “(2) OBLIGATIONAL AUTHORITY.—Funds dis-
17 tributed to eligible entities through grants made in
18 accordance with paragraph (1) for a fiscal year shall
19 be available for obligation during that fiscal year
20 and the succeeding fiscal year, in accordance with
21 paragraph (3).

22 “(3) RECAPTURE AND REDISTRIBUTION OF UN-
23 OBLIGATED FUNDS.—

24 “(A) AMOUNT.—Beginning on October 1,
25 2000, a State may recapture and redistribute

1 funds distributed to an eligible entity through a
2 grant made under paragraph (1) that are unob-
3 ligated at the end of a fiscal year if such unobli-
4 gated funds exceed 20 percent of the amount so
5 distributed to such eligible entity for such fiscal
6 year.

7 “(B) REDISTRIBUTION.—In redistributing
8 funds recaptured in accordance with this para-
9 graph, States shall redistribute such funds to
10 an eligible entity, or require the original recipi-
11 ent of the funds to redistribute the funds to a
12 private, nonprofit organization, located within
13 the community served by the original recipient
14 of the funds, for activities consistent with the
15 purposes of this subtitle.

16 “(b) OTHER ACTIVITIES.—

17 “(1) USE OF REMAINDER.—If a State uses less
18 than 100 percent of payments from a grant under
19 section 675A, or the State allotment under section
20 675B, to make grants under subsection (a), the
21 State shall use the remainder of such payments
22 (subject to paragraph (2)) for—

23 “(A) providing training and technical as-
24 sistance to those entities in need of such train-
25 ing and assistance;

1 “(B) coordinating State-operated programs
2 and services targeted to low-income children
3 and families with services provided by eligible
4 entities and other organizations funded under
5 this subtitle, including detailing appropriate
6 employees of State or local agencies to entities
7 funded under this subtitle, to ensure increased
8 access to services provided by such State or
9 local agencies;

10 “(C) supporting statewide coordination and
11 communication among eligible entities;

12 “(D) analyzing the distribution of funds
13 made available under this subtitle within the
14 State to determine if such funds have been tar-
15 geted to the areas of greatest need;

16 “(E) supporting asset-building programs
17 for low-income individuals, such as programs
18 supporting individual development accounts;

19 “(F) supporting innovative programs and
20 activities conducted by community action agen-
21 cies or other neighborhood-based organizations
22 to eliminate poverty, promote self-sufficiency,
23 and promote community revitalization; and

24 “(G) supporting other activities, consistent
25 with the purposes of this subtitle.

1 “(2) ADMINISTRATIVE CAP.—No State may
2 spend more than the greater of \$55,000, or 5 per-
3 cent, of the State allotment for administrative ex-
4 penses, including monitoring activities. The cost of
5 activities conducted under paragraph (1)(A) shall
6 not be considered to be administrative expenses.

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

8 “(a) DESIGNATION OF LEAD AGENCY.—

9 “(1) DESIGNATION.—The chief executive officer
10 of a State desiring to receive an allotment under this
11 subtitle shall designate, in an application submitted
12 to the Secretary under subsection (b), an appro-
13 priate State agency that complies with the require-
14 ments of paragraph (2) to act as a lead agency for
15 purposes of carrying out State activities under this
16 subtitle.

17 “(2) DUTIES.—The lead agency designated in
18 accordance with paragraph (1) shall—

19 “(A) develop the State plan to be submit-
20 ted to the Secretary under subsection (b);

21 “(B) in conjunction with the development
22 of the State plan as required under subsection
23 (b), hold at least one hearing in the State with
24 sufficient time, and statewide distribution of no-
25 tice of such hearing, to provide to the public an

1 opportunity to comment on the proposed use
2 and distribution of funds to be provided
3 through the allotment for the period covered by
4 the State plan; and

5 “(C) conduct reviews of eligible entities
6 under section 678B.

7 “(3) LEGISLATIVE HEARING.—In order to be
8 eligible to receive an allotment under this subtitle,
9 the State shall hold at least one legislative hearing
10 every 3 years in conjunction with the development of
11 the State plan.

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

21 “(1) an assurance that funds made available
22 through the allotment will be used to support activi-
23 ties that are designed to assist low-income families
24 and individuals, including homeless families and in-
25 dividuals, migrant or seasonal farmworkers, and el-

1 derly low-income individuals and families, and a de-
2 scription of how such activities will enable the fami-
3 lies and individuals—

4 “(A) to remove obstacles and solve prob-
5 lems that block the achievement of self-suffi-
6 ciency;

7 “(B) to secure and retain meaningful em-
8 ployment;

9 “(C) to attain an adequate education;

10 “(D) to make better use of available in-
11 come;

12 “(E) to obtain and maintain adequate
13 housing and a suitable living environment;

14 “(F) to obtain emergency assistance
15 through loans, grants, or other means to meet
16 immediate and urgent individual and family
17 needs;

18 “(G) to achieve greater participation in the
19 affairs of the community involved; and

20 “(H) to make more effective use of other
21 programs related to the purposes of this sub-
22 title (including State welfare reform efforts);

23 “(2) a description of how the State intends to
24 use discretionary funds made available from the re-
25 mainder of the allotment described in section

1 675C(b) in accordance with this subtitle, including a
2 description of how the State will support innovative
3 community and neighborhood-based initiatives relat-
4 ed to the purposes of this subtitle;

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

7 “(A) the service delivery system, for serv-
8 ices provided or coordinated with funds made
9 available through the allotment, targeted to
10 low-income individuals and families in commu-
11 nities within the State;

12 “(B) how linkages will be developed to fill
13 identified gaps in the services, through the pro-
14 vision of information, referrals, case manage-
15 ment, and followup consultations;

16 “(C) how funds made available through the
17 allotment will be coordinated with other public
18 and private resources; and

19 “(D) how the funds will be used to support
20 innovative community and neighborhood-based
21 initiatives related to the purposes of this sub-
22 title;

23 “(4) an assurance that the State will provide,
24 on an emergency basis, for the provision of such
25 supplies and services, nutritious foods, and related

1 services, as may be necessary to counteract condi-
2 tions of starvation and malnutrition among low-in-
3 come individuals;

4 “(5) an assurance that the State will coordi-
5 nate, and establish linkages between, governmental
6 and other social services programs to assure the ef-
7 fective delivery of such services to low-income indi-
8 viduals;

9 “(6) an assurance that the State will ensure co-
10 ordination between antipoverty programs in each
11 community, and ensure, where appropriate, that
12 emergency energy crisis intervention programs under
13 title XXVI (relating to low-income home energy as-
14 sistance) are conducted in such community;

15 “(7) an assurance that the State will permit
16 and cooperate with Federal investigations under-
17 taken in accordance with section 678D;

18 “(8) an assurance that any eligible entity that
19 received funding in the previous fiscal year under
20 this subtitle will not have its funding terminated
21 under this subtitle, or reduced below the propor-
22 tional share of funding the entity received in the
23 previous fiscal year unless, after providing notice
24 and an opportunity for a hearing on the record, the
25 State determines that cause exists for such termi-

1 nation or such reduction, subject to review by the
2 Secretary as provided in section 678C(b);

3 “(9) an assurance that the State will, to the
4 maximum extent possible, coordinate programs with
5 and form partnerships with other organizations serv-
6 ing low-income residents of the communities and
7 members of the groups served by the State, includ-
8 ing faith-based organizations, charitable groups, and
9 community organizations;

10 “(10) an assurance that the State will require
11 each eligible entity to establish procedures under
12 which a low-income individual, community organiza-
13 tion, or faith-based organization, or representative of
14 low-income individuals that considers its organiza-
15 tion, or low-income individuals, to be inadequately
16 represented on the board (or other mechanism) of
17 the eligible entity to petition for adequate represen-
18 tation;

19 “(11) an assurance that the State will secure
20 from each eligible entity, as a condition to receipt of
21 funding by the entity under this subtitle for a pro-
22 gram, a community action plan (which shall be sub-
23 mitted to the Secretary, at the request of the Sec-
24 retary, with the State plan) that includes a commu-
25 nity-needs assessment for the community served,

1 which may be coordinated with community-needs as-
2 sements conducted for other programs;

3 “(12) an assurance that the State and all eligi-
4 ble entities in the State will, not later than fiscal
5 year 2002, participate in the Results Oriented Man-
6 agement and Accountability System, any other per-
7 formance measure system established by the Sec-
8 retary under section 678E(b), or an alternative sys-
9 tem for measuring performance and results that
10 meets the requirements of that section, and a de-
11 scription of outcome measures to be used to measure
12 eligible entity performance in promoting self-suffi-
13 ciency, family stability, and community revitaliza-
14 tion; and

15 “(13) information describing how the State will
16 carry out the assurances described in this sub-
17 section.

18 “(c) DETERMINATIONS.—For purposes of making a
19 determination in accordance with subsection (b)(8) with
20 respect to—

21 “(1) a funding reduction, the term ‘cause’ in-
22 cludes—

23 “(A) a statewide redistribution of funds
24 provided under this subtitle to respond to—

1 “(i) the results of the most recently
2 available census or other appropriate data;

3 “(ii) the designation of a new eligible
4 entity; or

5 “(iii) severe economic dislocation; or

6 “(B) the failure of an eligible entity to
7 comply with the terms of an agreement to pro-
8 vide services under this subtitle; and

9 “(2) a termination, the term ‘cause’ includes
10 the material failure of an eligible entity to comply
11 with the terms of such an agreement and the State
12 plan to provide services under this subtitle or the
13 consistent failure of the entity to achieve perform-
14 ance measures as determined by the State.

15 “(d) PROCEDURES.—The Secretary may prescribe
16 procedures relating to the implementation of this section
17 only for the purpose of assessing the effectiveness of eligi-
18 ble entities in carrying out the purposes of this subtitle.

19 “(e) REVISIONS AND INSPECTION.—

20 “(1) REVISIONS.—The chief executive officer of
21 each State may revise any plan prepared under this
22 section and shall submit the revised plan to the Sec-
23 retary.

24 “(2) PUBLIC INSPECTION.—Each plan or re-
25 vised plan prepared under this section shall be made

1 available for public inspection within the State in
 2 such a manner as will facilitate review of, and com-
 3 ment on, the plan.

4 “(f) FISCAL YEAR 1999.—For fiscal year 2000, to
 5 be eligible to receive an allotment under this subtitle, a
 6 State shall prepare and submit to the Secretary an appli-
 7 cation and State plan in accordance with the provisions
 8 of this subtitle (as in effect on the day before the date
 9 of enactment of the Coats Human Services Reauthoriza-
 10 tion Act of 1998), rather than the provisions of sub-
 11 sections (a) through (c) relating to applications and plans.

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

14 “(a) QUALIFIED ORGANIZATION IN OR NEAR
 15 AREA.—

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

22 “(A) private nonprofit organizations geo-
 23 graphically located in the unserved area that
 24 meet the requirements of this subtitle; or

1 “(B) private nonprofit organizations
2 (which may include eligible entities) located in
3 an area contiguous to or within reasonable
4 proximity of the unserved area that are already
5 providing related services in the unserved area.

6 “(2) REQUIREMENT.—In order to serve as the
7 eligible entity for the area, an entity described in
8 paragraph (1)(B) shall agree to add additional mem-
9 bers to the board of the entity to ensure adequate
10 representation—

11 “(A) in each of the three required cat-
12 egories described in subparagraphs (A), (B),
13 and (C) of section 676B(a)(2), by members
14 that reside in the community comprised by the
15 unserved area; and

16 “(B) in the category described in section
17 676B(a)(2)(B), by members that reside in the
18 neighborhood served.

19 “(b) SPECIAL CONSIDERATION.—In designating an
20 eligible entity under subsection (a), the chief executive of-
21 ficer shall grant the designation to an organization of
22 demonstrated effectiveness in meeting the goals and pur-
23 poses of this subtitle and may give priority, in granting
24 the designation, to local entities that are providing services

1 in the unserved area, consistent with the needs identified
2 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.
9 In order to serve as the eligible entity for that area, the
10 political subdivision shall have a board or other mecha-
11 nism as 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
16 purposes of section 673(1), the entity shall admin-
17 ister the community services block grant program
18 through a tripartite board described in paragraph
19 (2) that fully participates in the development, plan-
20 ning, and implementation of the program to serve
21 low-income communities.

22 “(2) SELECTION AND COMPOSITION OF
23 BOARD.—The members of the board referred to in
24 paragraph (1) shall be selected by the entity and the
25 board shall 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
3 date of selection, or their representatives, ex-
4 cept that if the number of elected officials rea-
5 sonably available and willing to serve on the
6 board is less than $\frac{1}{3}$ of the membership of the
7 board, membership on the board of appointive
8 public officials or their representatives may be
9 counted in meeting such $\frac{1}{3}$ requirement;

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

16 “(C) the remainder of the members are of-
17 ficials or members of business, industry, labor,
18 religious, law enforcement, education, or other
19 major groups and interests in the community
20 served; and

21 “(D)(i) each member resides in the com-
22 munity; and

23 “(ii) each representative of low-income in-
24 dividuals and families selected to represent a
25 specific neighborhood within a community

1 under this paragraph resides in the neighbor-
2 hood represented by the member.

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

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

13 “(A) are representative of low-income indi-
14 viduals and families in the neighborhood served;

15 “(B) reside in the neighborhood served;
16 and

17 “(C) are able to participate actively in the
18 development, planning, and implementation of
19 programs funded under this subtitle; or

20 “(2) another mechanism specified by the State
21 to assure decisionmaking and participation by low-
22 income individuals in the development, planning, and
23 implementation of programs funded under this sub-
24 title.

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

2 “(a) RESERVATION.—If, with respect to any State,
3 the Secretary—

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

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

12 the Secretary shall reserve from amounts that would oth-
13 erwise be allotted to such State under section 675B for
14 the fiscal year the amount determined under subsection
15 (b).

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

25 “(c) AWARDS.—The sums reserved by the Secretary
26 on the basis of a determination made under subsection (a)

1 shall be made available by grant to the Indian tribe or
2 tribal organization serving the individuals for whom such
3 a determination has been made.

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

9 “(e) DEFINITIONS.—In this section:

10 “(1) INDIAN TRIBE; TRIBAL ORGANIZATION.—

11 The terms ‘Indian tribe’ and ‘tribal organization’
12 mean a tribe, band, or other organized group recog-
13 nized in the State in which the tribe, band, or group
14 resides, or considered by the Secretary of the Inte-
15 rior, to be an Indian tribe or an Indian organization
16 for any purpose.

17 “(2) INDIAN.—The term ‘Indian’ means a
18 member of an Indian tribe or of a tribal organiza-
19 tion.

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

21 “(a) OFFICE.—The Secretary shall carry out the
22 functions of this subtitle through an Office of Community
23 Services, which shall be established in the Department of
24 Health and Human Services. The Office shall be headed
25 by a Director.

1 “(b) GRANTS, CONTRACTS, COOPERATIVE AGREE-
2 MENTS.—The Secretary shall carry out functions of this
3 subtitle through grants, contracts, or cooperative agree-
4 ments.

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

6 “(a) ACTIVITIES.—The Secretary shall use the
7 amounts reserved in section 674(b)(2) for training, tech-
8 nical assistance, planning, evaluation, and data collection
9 activities related to programs carried out under this sub-
10 title.

11 “(b) PROCESS.—The process for determining the
12 training and technical assistance to be carried out under
13 this section shall—

14 “(1) ensure that the needs of eligible entities
15 and programs relating to improving program quality,
16 including financial management practices, are ad-
17 dressed to the maximum extent feasible; and

18 “(2) incorporate mechanisms to ensure respon-
19 siveness to local needs, including an ongoing proce-
20 dure for obtaining input from the national and State
21 networks of eligible entities.

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

23 “(a) IN GENERAL.—In order to determine whether
24 eligible entities meet the performance goals, administra-
25 tive standards, financial management requirements, and

1 other requirements of a State, the State shall conduct the
2 following reviews of eligible entities:

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

5 “(2) An onsite review of each newly designated
6 entity immediately after the completion of the first
7 year in which such entity receives funds through the
8 community services block grant program.

9 “(3) Followup reviews including prompt return
10 visits to eligible entities, and their programs, that
11 fail to meet the goals, standards, and requirements
12 established by the State.

13 “(4) Other reviews as appropriate, including re-
14 views of entities with programs that have had other
15 Federal, State, or local grants (other than assistance
16 provided under this subtitle) terminated for cause.

17 “(b) REQUESTS.—The State may request training
18 and technical assistance from the Secretary as needed to
19 comply with the requirements of this section.

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

22 “(a) DETERMINATION.—If the State determines, on
23 the basis of a review pursuant to subsection 678B, that
24 an eligible entity has had a failure described in section
25 676(c), the State shall—

1 “(1) inform the entity of the deficiency to be
2 corrected;

3 “(2) require the entity to correct the deficiency;

4 “(3)(A) offer training and technical assistance,
5 if appropriate, to help correct the deficiency, and
6 prepare and submit to the Secretary a report de-
7 scribing the training and technical assistance of-
8 fered; or

9 “(B) if the State determines that such training
10 and technical assistance are not appropriate, prepare
11 and submit to the Secretary a report stating the rea-
12 sons for the determination;

13 “(4)(A) at the discretion of the State (taking
14 into account the seriousness of the deficiency and
15 the time reasonably required to correct the defi-
16 ciency), allow the entity to develop and implement,
17 within 60 days after being informed of the defi-
18 ciency, a quality improvement plan to correct such
19 deficiency within a reasonable period of time, as de-
20 termined by the State; and

21 “(B) not later than 30 days after receiving
22 from an eligible entity a proposed quality improve-
23 ment plan pursuant to subparagraph (A), either ap-
24 prove such proposed plan or specify the reasons why
25 the proposed plan cannot be approved; and

1 “(5) after providing adequate notice and an op-
 2 portunity for a hearing, initiate proceedings to ter-
 3 minate the designation of or reduce the funding
 4 under this subtitle of the eligible entity unless the
 5 entity corrects the deficiency.

6 “(b) REVIEW.—A determination to terminate the
 7 designation or reduce the funding of an eligible entity is
 8 reviewable by the Secretary. The Secretary shall, upon re-
 9 quest, review such a determination. The review shall be
 10 completed not later than 60 days after the determination
 11 to terminate the designation or reduce the funding. If the
 12 review is not completed within 60 days, the determination
 13 of the State shall become final at the end of the 60th day.

14 **“SEC. 678D. FISCAL CONTROLS, AUDITS, AND WITHHOLD-**
 15 **ING.**

16 “(a) FISCAL CONTROLS, PROCEDURES, AUDITS, AND
 17 INSPECTIONS.—

18 “(1) IN GENERAL.—A State that receives funds
 19 under this subtitle shall—

20 “(A) establish fiscal control and fund ac-
 21 counting procedures necessary to assure the
 22 proper disbursement of and accounting for Federal
 23 funds paid to the State under this subtitle, in-
 24 cluding procedures for monitoring the funds
 25 provided under this subtitle;

1 “(B) ensure that cost and accounting
2 standards of the Office of Management and
3 Budget apply to a recipient of funds under this
4 subtitle;

5 “(C) prepare, at least every year (or in the
6 case of a State with a 2-year State plan, every
7 2 years) in accordance with paragraph (2) an
8 audit of the expenditures of the State of
9 amounts received under this subtitle and
10 amounts transferred to carry out the purposes
11 of this subtitle; and

12 “(D) make appropriate books, documents,
13 papers, and records available to the Secretary
14 and the Comptroller General of the United
15 States, or any of their duly authorized rep-
16 resentatives, for examination, copying, or me-
17 chanical reproduction on or off the premises of
18 the appropriate entity upon a reasonable re-
19 quest for the items.

20 “(2) AUDITS.—Each audit required by sub-
21 section (a)(1)(C) shall be conducted by an entity
22 independent of any agency administering activities
23 or services carried out under this subtitle and shall
24 be conducted in accordance with generally accepted
25 accounting principles. Within 30 days after the com-

1 pletion of each such audit in a State, the chief execu-
2 utive officer of the State shall submit a copy of such
3 audit to any eligible entity that was the subject of
4 the audit at no charge, to the legislature of the
5 State, and to the Secretary.

6 “(3) REPAYMENTS.—The State shall repay to
7 the United States amounts found not to have been
8 expended in accordance with this subtitle or the Sec-
9 retary may offset such amounts against any other
10 amount to which the State is or may become entitled
11 under this subtitle.

12 “(b) WITHHOLDING.—

13 “(1) IN GENERAL.—The Secretary shall, after
14 providing adequate notice and an opportunity for a
15 hearing conducted within the affected State, with-
16 hold funds from any State that does not utilize the
17 State allotment in accordance with the provisions of
18 this subtitle, including the assurances such State
19 provided under section 676.

20 “(2) RESPONSE TO COMPLAINTS.—The Sec-
21 retary shall respond in an expeditious and speedy
22 manner to complaints of a substantial or serious na-
23 ture that a State has failed to use funds in accord-
24 ance with the provisions of this subtitle, including
25 the assurances provided by the State under section

1 676. For purposes of this paragraph, a complaint of
2 a failure to meet any one of the assurances provided
3 under section 676 that constitutes disregarding that
4 assurance shall be considered to be a complaint of
5 a serious nature.

6 “(3) INVESTIGATIONS.—Whenever the Sec-
7 retary determines that there is a pattern of com-
8 plaints of failures described in paragraph (2) from
9 any State in any fiscal year, the Secretary shall con-
10 duct an investigation of the use of funds received
11 under this subtitle by such State in order to ensure
12 compliance with the provisions of this subtitle.

13 **“SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIRE-**
14 **MENTS.**

15 “(a) STATE ACCOUNTABILITY AND REPORTING RE-
16 QUIREMENTS.—

17 “(1) PERFORMANCE MEASUREMENT.—

18 “(A) IN GENERAL.—By October 1, 2001,
19 each State that receives funds under this sub-
20 title shall participate, and shall ensure that all
21 eligible entities in the State participate, in a
22 performance measurement system, which may
23 be a performance measurement system estab-
24 lished by the Secretary pursuant to subsection
25 (b), or an alternative system that the Secretary

1 is satisfied meets the requirements of sub-
2 section (b).

3 “(B) LOCAL AGENCIES.—The State may
4 elect to have local agencies that are subcontrac-
5 tors of the eligible entities under this subtitle
6 participate in the performance measurement
7 system. If the State makes that election, ref-
8 erences in this section to eligible entities shall
9 be considered to include the local agencies.

10 “(2) ANNUAL REPORT.—Each State shall annu-
11 ally prepare and submit to the Secretary a report on
12 the measured performance of the State and the eligi-
13 ble entities in the State. Prior to the participation
14 of the State in the performance measurement sys-
15 tem, the State shall include in the report any infor-
16 mation collected by the State relating to such per-
17 formance. Each State shall also include in the report
18 an accounting of the expenditure of funds received
19 by the State through the community services block
20 grant program, including an accounting of funds
21 spent on administrative costs by the State and the
22 eligible entities, and funds spent by eligible entities
23 on the direct delivery of local services, and shall in-
24 clude information on the number of and characteris-
25 tics of clients served under this subtitle in the State,

1 based on data collected from the eligible entities.
2 The State shall also include in the report a summary
3 describing the training and technical assistance of-
4 fered by the State under section 678C(a)(3) during
5 the year covered by the report.

6 “(b) SECRETARY’S ACCOUNTABILITY AND REPORT-
7 ING REQUIREMENTS.—

8 “(1) PERFORMANCE MEASUREMENT.—The Sec-
9 retary, in collaboration with the States and with eli-
10 gible entities throughout the Nation, shall establish
11 one or more model performance measurement sys-
12 tems, which may be used by the States and by eligi-
13 ble entities to measure their performance in carrying
14 out the requirements of this subtitle and in achiev-
15 ing the goals of community action plans. The Sec-
16 retary shall provide technical assistance, including
17 support for the enhancement of electronic data sys-
18 tems, to States and to eligible entities to enhance
19 their capability to collect and report data for such
20 a system and to aid in their participation in such a
21 system.

22 “(2) REPORTING REQUIREMENTS.—At the end
23 of each fiscal year beginning after September 30,
24 1999, the Secretary shall, directly or by grant or

1 contract, prepare a report containing each of the fol-
2 lowing elements:

3 “(A) A summary of the planned use of
4 funds by each State, and the eligible entities in
5 the State, under the community services block
6 grant program, as contained in each State plan
7 submitted pursuant to section 676.

8 “(B) A description of how funds were actu-
9 ally spent by the State and eligible entities in
10 the State, including a breakdown of funds spent
11 on administrative costs and on the direct deliv-
12 ery of local services by eligible entities.

13 “(C) Information on the number of entities
14 eligible for funds under this subtitle, the num-
15 ber of low-income persons served under this
16 subtitle, and such demographic data on the low-
17 income populations served by eligible entities as
18 is determined by the Secretary to be feasible.

19 “(D) A comparison of the planned uses of
20 funds for each State and the actual uses of the
21 funds.

22 “(E) A summary of each State’s perform-
23 ance results, and the results for the eligible en-
24 tities, as collected and submitted by the States
25 in accordance with subsection (a)(2).

1 “(F) Any additional information that the
2 Secretary considers to be appropriate to carry
3 out this subtitle, if the Secretary informs the
4 States of the need for such additional informa-
5 tion and allows a reasonable period of time for
6 the States to collect and provide the informa-
7 tion.

8 “(3) SUBMISSION.—The Secretary shall submit
9 to the Committee on Education and the Workforce
10 of the House of Representatives and the Committee
11 on Labor and Human Resources of the Senate the
12 report described in paragraph (2), and any com-
13 ments the Secretary may have with respect to such
14 report. The report shall include definitions of direct,
15 indirect, and administrative costs used by the De-
16 partment of Health and Human Services for pro-
17 grams funded under this subtitle.

18 “(4) COSTS.—Of the funds reserved under sec-
19 tion 674(b)(3), not more than \$350,000 shall be
20 available to carry out the reporting requirements
21 contained in paragraph (2) and the provision of
22 technical assistance described in paragraph (1).

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

24 “(a) CONSTRUCTION OF FACILITIES.—

1 “(1) LIMITATIONS.—Except as provided in
2 paragraph (2), grants made under this subtitle
3 (other than amounts reserved under section
4 674(b)(3)) may not be used by the State, or by any
5 other person with which the State makes arrange-
6 ments to carry out the purposes of this subtitle, for
7 the purchase or improvement of land, or the pur-
8 chase, construction, or permanent improvement
9 (other than low-cost residential weatherization or
10 other energy-related home repairs) of any building
11 or other facility.

12 “(2) WAIVER.—The Secretary may waive the
13 limitation contained in paragraph (1) upon a State
14 request for such a waiver, if the Secretary finds that
15 the request describes extraordinary circumstances to
16 justify the purchase of land or the construction of
17 facilities (or the making of permanent improve-
18 ments) and that permitting the waiver will contrib-
19 ute to the ability of the State to carry out the pur-
20 poses of this subtitle.

21 “(b) POLITICAL ACTIVITIES.—

22 “(1) TREATMENT AS A STATE OR LOCAL AGEN-
23 CY.—For purposes of chapter 15 of title 5, United
24 States Code, any entity that assumes responsibility
25 for planning, developing, and coordinating activities

1 under this subtitle and receives assistance under this
2 subtitle shall be deemed to be a State or local agen-
3 cy. For purposes of paragraphs (1) and (2) of sec-
4 tion 1502(a) of such title, any entity receiving as-
5 sistance under this subtitle shall be deemed to be a
6 State or local agency.

7 “(2) PROHIBITIONS.—Programs assisted under
8 this subtitle shall not be carried on in a manner in-
9 volving the use of program funds, the provision of
10 services, or the employment or assignment of per-
11 sonnel, in a manner supporting or resulting in the
12 identification of such programs with—

13 “(A) any partisan or nonpartisan political
14 activity or any political activity associated with
15 a candidate, or contending faction or group, in
16 an election for public or party office;

17 “(B) any activity to provide voters or pro-
18 spective voters with transportation to the polls
19 or similar assistance in connection with any
20 such election; or

21 “(C) any voter registration activity.

22 “(3) RULES AND REGULATIONS.—The Sec-
23 retary, after consultation with the Office of Person-
24 nel Management, shall issue rules and regulations to
25 provide for the enforcement of this subsection, which

1 shall include provisions for summary suspension of
2 assistance or other action necessary to permit en-
3 forcement on an emergency basis.

4 “(c) NONDISCRIMINATION.—

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

19 “(2) ACTION OF SECRETARY.—Whenever the
20 Secretary determines that a State that has received
21 a payment under this subtitle has failed to comply
22 with paragraph (1) or an applicable regulation, the
23 Secretary shall notify the chief executive officer of
24 the State and shall request that the officer secure
25 compliance. If within a reasonable period of time,

1 not to exceed 60 days, the chief executive officer
2 fails or refuses to secure compliance, the Secretary
3 is authorized to—

4 “(A) refer the matter to the Attorney Gen-
5 eral with a recommendation that an appropriate
6 civil action be instituted;

7 “(B) exercise the powers and functions
8 provided by title VI of the Civil Rights Act of
9 1964 (42 U.S.C. 2000d et seq.), the Age Dis-
10 crimination Act of 1975 (42 U.S.C. 6101 et
11 seq.), section 504 of the Rehabilitation Act of
12 1973 (29 U.S.C. 794), or title II of the Ameri-
13 cans with Disabilities Act of 1990 (42 U.S.C.
14 12131), as may be applicable; or

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

17 “(3) ACTION OF ATTORNEY GENERAL.—When a
18 matter is referred to the Attorney General pursuant
19 to paragraph (2), or whenever the Attorney General
20 has reason to believe that the State is engaged in a
21 pattern or practice of discrimination in violation of
22 the provisions of this subsection, the Attorney Gen-
23 eral may bring a civil action in any appropriate
24 United States district court for such relief as may
25 be appropriate, including injunctive relief.

1 **“SEC. 679. OPERATIONAL RULE.**

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

16 “(c) FAITH-BASED CHARACTER AND INDEPEND-
17 ENCE.—

18 “(1) IN GENERAL.—A faith-based organization
19 that provides assistance under a program described
20 in subsection (a) shall retain its faith-based char-
21 acter and control over the definition, development,
22 practice, and expression of its faith-based beliefs.

23 “(2) ADDITIONAL SAFEGUARDS.—Neither the
24 Federal Government nor a State or local government
25 shall require a faith-based organization—

1 “(A) to alter its form of internal govern-
2 ance, except (for purposes of administration of
3 the community services block grant program) as
4 provided in section 676B; or

5 “(B) to remove religious art, icons, scrip-
6 ture, or other symbols;

7 in order to be eligible to provide assistance under a
8 program described in subsection (a).

9 “(3) TENETS AND TEACHINGS.—A faith-based orga-
10 nization that provides assistance under a program de-
11 scribed in subsection (a) may require that employees ad-
12 here to the religious tenets and teachings of such organiza-
13 tion, and such organization may require that employees
14 adhere to rules forbidding the use of drugs or alcohol.

15 “(c) LIMITATIONS ON USE OF FUNDS FOR CERTAIN
16 PURPOSES.—No funds provided through a grant or con-
17 tract to a faith-based organization to provide assistance
18 under any program described in subsection (a) shall be
19 expended for sectarian worship, instruction, or proselytiza-
20 tion.

21 “(d) FISCAL ACCOUNTABILITY.—

22 “(1) IN GENERAL.—Except as provided in para-
23 graph (2), any faith-based organization providing as-
24 sistance under any program described in subsection
25 (a) shall be subject to the same regulations as other

1 nongovernmental organizations to account in accord
2 with generally accepted accounting principles for the
3 use of such funds provided under such program.

4 “(2) LIMITED AUDIT.—Such organization shall
5 segregate government funds provided under such
6 program into a separate account. Only the govern-
7 ment funds shall be subject to audit by the govern-
8 ment.

9 “(e) TREATMENT OF ELIGIBLE ENTITIES AND
10 OTHER INTERMEDIATE ORGANIZATIONS.—If an eligible
11 entity or other organization (referred to in this subsection
12 as an ‘intermediate organization’), acting under a con-
13 tract, or grant or other agreement, with the Federal Gov-
14 ernment or a State or local government, is given the au-
15 thority under the contract or agreement to select non-
16 governmental organizations to provide assistance under
17 the programs described in subsection (a), the intermediate
18 organization shall have the same duties under this section
19 as the government.

20 **“SEC. 680. DISCRETIONARY AUTHORITY OF THE SEC-**
21 **RETARY.**

22 “(a) GRANTS, CONTRACTS, ARRANGEMENTS, LOANS,
23 AND GUARANTEES.—

24 “(1) IN GENERAL.—The Secretary shall, from
25 funds reserved under section 674(b)(3), make

1 grants, loans, or guarantees to States and public
2 agencies and private, nonprofit organizations, or
3 enter into contracts or jointly financed cooperative
4 arrangements with States and public agencies and
5 private, nonprofit organizations (and for-profit orga-
6 nizations, to the extent specified in paragraph
7 (2)(E)) for each of the objectives described in para-
8 graphs (2) through (4).

9 “(2) COMMUNITY ECONOMIC DEVELOPMENT.—

10 “(A) ECONOMIC DEVELOPMENT ACTIVI-
11 TIES.—The Secretary shall make grants de-
12 scribed in paragraph (1) on a competitive basis
13 to private, nonprofit organizations that are
14 community development corporations to enable
15 the corporations to provide technical and finan-
16 cial assistance for economic development activi-
17 ties designed to address the economic needs of
18 low-income individuals and families by creating
19 employment and business development opportu-
20 nities.

21 “(B) CONSULTATION.—The Secretary
22 shall exercise the authority provided under sub-
23 paragraph (A) after consultation with other rel-
24 evant Federal officials.

1 “(C) GOVERNING BOARDS.—For a commu-
2 nity development corporation to receive funds to
3 carry out this paragraph, the corporation shall
4 be governed by a board that shall consist of
5 residents of the community and business and
6 civic leaders and shall have as a principal pur-
7 pose planning, developing, or managing low-in-
8 come housing or community development
9 projects.

10 “(D) GEOGRAPHIC DISTRIBUTION.—In
11 making grants to carry out this paragraph, the
12 Secretary shall take into consideration the geo-
13 graphic distribution of funding among States
14 and the relative proportion of funding among
15 rural and urban areas.

16 “(E) RESERVATION.—Of the amounts
17 made available to carry out this paragraph, the
18 Secretary may reserve not more than 1 percent
19 for each fiscal year to make grants to private,
20 nonprofit organizations, or to enter into con-
21 tracts with private, nonprofit or for-profit orga-
22 nizations, to enable the organizations involved
23 to provide technical assistance to aid commu-
24 nity development corporations in developing or
25 implementing activities funded to carry out this

1 paragraph and to evaluate activities funded to
2 carry out this paragraph.

3 “(3) RURAL COMMUNITY DEVELOPMENT AC-
4 TIVITIES.—The Secretary shall provide the assist-
5 ance described in paragraph (1) for rural community
6 development activities, which shall include provid-
7 ing—

8 “(A) grants to private, nonprofit corpora-
9 tions to enable the corporations to provide as-
10 sistance concerning home repair to rural low-in-
11 come families and concerning planning and de-
12 veloping low-income rural rental housing units;
13 and

14 “(B) grants to multistate, regional, pri-
15 vate, nonprofit organizations to enable the orga-
16 nizations to provide training and technical as-
17 sistance to small, rural communities concerning
18 meeting their community facility needs.

19 “(4) NEIGHBORHOOD INNOVATION
20 PROJECTS.—The Secretary shall provide the assist-
21 ance described in paragraph (1) for neighborhood in-
22 novation projects, which shall include providing
23 grants to neighborhood-based private, nonprofit or-
24 ganizations to test or assist in the development of
25 new approaches or methods that will aid in over-

1 coming special problems identified by communities
2 or neighborhoods or otherwise assist in furthering
3 the purposes of this subtitle, and which may include
4 providing assistance for projects that are designed to
5 serve low-income individuals and families who are
6 not being effectively served by other programs.

7 “(b) EVALUATION.—The Secretary shall require all
8 activities receiving assistance under this section to be eval-
9 uated for their effectiveness. Funding for such evaluations
10 shall be provided as a stated percentage of the assistance
11 or through a separate grant awarded by the Secretary spe-
12 cifically for the purpose of evaluation of a particular activ-
13 ity or group of activities.

14 “(c) ANNUAL REPORT.—The Secretary shall compile
15 an annual report containing a summary of the evaluations
16 required in subsection (b) and a listing of all activities as-
17 sisted under this section. The Secretary shall annually
18 submit the report to the Chairperson of the Committee
19 on Education and the Workforce of the House of Rep-
20 resentatives and the Chairperson of the Committee on
21 Labor and Human Resources of the Senate.

22 **“SEC. 681. COMMUNITY FOOD AND NUTRITION PROGRAMS.**

23 “(a) GRANTS.—The Secretary may, through grants
24 to public and private, nonprofit agencies, provide for com-
25 munity-based, local, statewide, and national programs—

1 “(1) to coordinate private and public food as-
2 sistance resources, wherever the grant recipient in-
3 volved determines such coordination to be inad-
4 equate, to better serve low-income populations;

5 “(2) to assist low-income communities to iden-
6 tify potential sponsors of child nutrition programs
7 and to initiate such programs in underserved or
8 unserved areas; and

9 “(3) to develop innovative approaches at the
10 State and local level to meet the nutrition needs of
11 low-income individuals.

12 “(b) ALLOTMENTS AND DISTRIBUTION OF FUNDS.—

13 “(1) NOT TO EXCEED \$6,000,000 IN APPROPRIA-
14 TIONS.—Of the amount appropriated for a fiscal
15 year to carry out this section (but not to exceed
16 \$6,000,000), the Secretary shall distribute funds for
17 grants under subsection (a) as follows:

18 “(A) ALLOTMENTS.—From a portion equal
19 to 60 percent of such amount (but not to ex-
20 ceed \$3,600,000), the Secretary shall allot for
21 grants to eligible agencies for statewide pro-
22 grams in each State the amount that bears the
23 same ratio to such portion as the low-income
24 and unemployed population of such State bears

1 to the low-income and unemployed population
2 of all the States.

3 “(B) COMPETITIVE GRANTS.—From a por-
4 tion equal to 40 percent of such amount (but
5 not to exceed \$2,400,000), the Secretary shall
6 make grants on a competitive basis to eligible
7 agencies for local and statewide programs.

8 “(2) GREATER AVAILABLE APPROPRIATIONS.—
9 Any amounts appropriated for a fiscal year to carry
10 out this section in excess of \$6,000,000 shall be al-
11 lotted as follows:

12 “(A) ALLOTMENTS.—The Secretary shall
13 use 40 percent of such excess to make allot-
14 ments for grants under subsection (a) to eligi-
15 ble agencies for statewide programs in each
16 State in an amount that bears the same ratio
17 to 40 percent of such excess as the low-income
18 and unemployed population of such State bears
19 to the low-income and unemployed population
20 of all the States.

21 “(B) COMPETITIVE GRANTS FOR LOCAL
22 AND STATEWIDE PROGRAMS.—The Secretary
23 shall use 40 percent of such excess to make
24 grants under subsection (a) on a competitive

1 basis to eligible agencies for local and statewide
2 programs.

3 “(C) COMPETITIVE GRANTS FOR NATION-
4 WIDE PROGRAMS.—The Secretary shall use the
5 remaining 20 percent of such excess to make
6 grants under subsection (a) on a competitive
7 basis to eligible agencies for nationwide pro-
8 grams, including programs benefiting Indians
9 as defined in section 677 and migrant or sea-
10 sonal farmworkers.

11 “(3) ELIGIBILITY FOR ALLOTMENTS FOR
12 STATEWIDE PROGRAMS.—To be eligible to receive an
13 allotment under paragraph (1)(A) or (2)(A), an eli-
14 gible agency shall demonstrate that the proposed
15 program is statewide in scope and represents a com-
16 prehensive and coordinated effort to alleviate hunger
17 within the State.

18 “(4) MINIMUM ALLOTMENTS FOR STATEWIDE
19 PROGRAMS.—

20 “(A) IN GENERAL.—From the amounts al-
21 lotted under paragraphs (1)(A) and (2)(A), the
22 minimum total allotment for each State for
23 each fiscal year shall be—

24 “(i) \$15,000 if the total amount ap-
25 propriated to carry out this section is not

1 less than \$7,000,000 but less than
2 \$10,000,000;

3 “(ii) \$20,000 if the total amount ap-
4 propriated to carry out this section is not
5 less than \$10,000,000 but less than
6 \$15,000,000; or

7 “(iii) \$30,000 if the total amount ap-
8 propriated to carry out this section is not
9 less than \$15,000,000.

10 “(B) DEFINITION.—In this paragraph, the
11 term ‘State’ does not include Guam, American
12 Samoa, the United States Virgin Islands, the
13 Commonwealth of the Northern Mariana Is-
14 lands, or the Freely Associated States.

15 “(5) MAXIMUM GRANTS.—From funds made
16 available under paragraphs (1)(B) and (2)(B) for
17 any fiscal year, the Secretary may not make grants
18 under subsection (a) to an eligible agency in an ag-
19 gregate amount exceeding \$50,000. From funds
20 made available under paragraph (2)(C) for any fiscal
21 year, the Secretary may not make grants under sub-
22 section (a) to an eligible agency in an aggregate
23 amount exceeding \$300,000.

24 “(c) REPORT.—For each fiscal year, the Secretary
25 shall prepare and submit, to the Committee on Education

1 and the Workforce of the House of Representatives and
2 the Committee on Labor and Human Resources of the
3 Senate, a report concerning the grants made under this
4 section. Such report shall include—

5 “(1) a list of grant recipients;

6 “(2) information on the amount of funding
7 awarded to each grant recipient; and

8 “(3) a summary of the activities performed by
9 the grant recipients with funding awarded under this
10 section and a description of the manner in which
11 such activities meet the objectives described in sub-
12 section (a).

13 “(d) AUTHORIZATION OF APPROPRIATIONS.—There
14 are authorized to be appropriated to carry out this section
15 \$25,000,000 for fiscal year 1999, and such sums as may
16 be necessary for each of fiscal years 2000 through 2003.

17 **“SEC. 682. NATIONAL OR REGIONAL PROGRAMS DESIGNED**
18 **TO PROVIDE INSTRUCTIONAL ACTIVITIES**
19 **FOR LOW-INCOME YOUTH.**

20 “(a) GENERAL AUTHORITY.—The Secretary is au-
21 thorized to make a grant to an eligible service provider
22 to administer national or regional programs to provide in-
23 structional activities for low-income youth. In making such
24 a grant, the Secretary shall give priority to eligible service

1 providers that have a demonstrated ability to operate such
2 a program.

3 “(b) PROGRAM REQUIREMENTS.—Any instructional
4 activity carried out by an eligible service provider receiving
5 a grant under this section shall be carried out on the cam-
6 pus of an institution of higher education (as defined in
7 section 1201(a) of the Higher Education Act of 1965 (20
8 U.S.C. 1141(a))) and shall include—

9 “(1) access to the facilities and resources of
10 such an institution;

11 “(2) an initial medical examination and follow-
12 up referral or treatment, without charge, for youth
13 during their participation in such activity;

14 “(3) at least one nutritious meal daily, without
15 charge, for participating youth during each day of
16 participation;

17 “(4) high quality instruction in a variety of
18 sports (that shall include swimming and that may
19 include dance and any other high quality rec-
20 reational activity) provided by coaches and teachers
21 from institutions of higher education and from ele-
22 mentary and secondary schools (as defined in section
23 14101 of the Elementary and Secondary Education
24 Act of 1965 (20 U.S.C. 8801)); and

1 “(5) enrichment instruction and information on
2 matters relating to the well-being of youth, to in-
3 clude educational opportunities and information on
4 study practices, education for the prevention of drug
5 and alcohol abuse, and information on health and
6 nutrition, career opportunities, and family and job
7 responsibilities.

8 “(c) ADVISORY COMMITTEE; PARTNERSHIPS.—The
9 eligible service provider shall, in each community in which
10 a program is funded under this section—

11 “(1) ensure that—

12 “(A) a community-based advisory commit-
13 tee is established, with representatives from
14 local youth, family, and social service organiza-
15 tions, schools, entities providing park and recre-
16 ation services, and other community-based orga-
17 nizations serving high-risk youth; or

18 “(B) an existing community-based advisory
19 board, commission, or committee with similar
20 membership is utilized to serve as the commit-
21 tee described in subparagraph (A); and

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

1 that support and continue the objectives of this sub-
2 title.

3 “(d) ELIGIBLE PROVIDERS.—A service provider that
4 is a national private, nonprofit organization, a coalition
5 of such organizations, or a private, nonprofit organization
6 applying jointly with a business concern shall be eligible
7 to apply for a grant under this section if—

8 “(1) the applicant has demonstrated experience
9 in operating a program providing instruction to low-
10 income youth;

11 “(2) the applicant agrees to contribute an
12 amount (in cash or in kind, fairly evaluated) of not
13 less than 25 percent of the amount requested, for
14 the program funded through the grant;

15 “(3) the applicant agrees to use no funds from
16 a grant authorized under this section for administra-
17 tive expenses; and

18 “(4) the applicant agrees to comply with the
19 regulations or program guidelines promulgated by
20 the Secretary for use of funds made available
21 through the grant.

22 “(e) APPLICATIONS PROCESS.—To be eligible to re-
23 ceive a grant under this section, a service provider shall
24 submit to the Secretary, for approval, an application at

1 such time, in such manner, and containing such informa-
2 tion as the Secretary may require.

3 “(f) PROMULGATION OF REGULATIONS OR PROGRAM
4 GUIDELINES.—The Secretary shall promulgate regula-
5 tions or program guidelines to ensure funds made avail-
6 able through a grant made under this section are used
7 in accordance with the objectives of this subtitle.

8 “(g) AUTHORIZATION OF APPROPRIATIONS.—There
9 is authorized to be appropriated \$15,000,000 for each of
10 fiscal years 1999 through 2003 for grants to carry out
11 this section.

12 **“SEC. 683. REFERENCES.**

13 “Any reference in any provision of law to the poverty
14 line set forth in section 624 or 625 of the Economic Op-
15 portunity Act of 1964 shall be construed to be a reference
16 to the poverty line defined in section 673. Any reference
17 in any provision of law to any community action agency
18 designated under title II of the Economic Opportunity Act
19 of 1964 shall be construed to be a reference to an entity
20 eligible to receive funds under the community services
21 block grant program.”.

22 **SEC. 202. CONFORMING AMENDMENTS.**

23 (a) OLDER AMERICANS ACT OF 1965.—Section
24 306(a)(6)(E)(ii) of the Older Americans Act of 1965 (42
25 U.S.C. 3026(a)(6)(E)(ii)) is amended by striking “section

1 675(c)(3) of the Community Services Block Grant Act (42
2 U.S.C. 9904(c)(3))” and inserting “section 676B of the
3 Community Services Block Grant Act”.

4 (b) ANTI-DRUG ABUSE ACT OF 1988.—Section
5 3521(c)(2) of the Anti-Drug Abuse Act of 1988 (42
6 U.S.C. 11841(c)(2)) is amended by striking “, such as ac-
7 tivities authorized by section 681(a)(2)(F) of the Commu-
8 nity Services Block Grant Act (42 U.S.C. section
9 9910(a)(2)(F)),”.

10 **SEC. 203. REPEALERS.**

11 (a) COMMUNITY ECONOMIC DEVELOPMENT ACT OF
12 1981.—The Community Economic Development Act of
13 1981 (42 U.S.C. 9801 et seq.) is repealed.

14 (b) HUMAN SERVICES REAUTHORIZATION ACT OF
15 1986.—Sections 407 and 408 of the Human Services Re-
16 authorization Act of 1986 (42 U.S.C. 9812a and 9910b)
17 are repealed.

18 **TITLE III—LOW-INCOME HOME**
19 **ENERGY ASSISTANCE**

20 **SEC. 301. AUTHORIZATION.**

21 (a) IN GENERAL.—Section 2602(b) of the Low-In-
22 come Home Energy Assistance Act of 1981 (42 U.S.C.
23 8621(b)) is amended—

24 (1) by striking “are authorized” and inserting
25 “is authorized”; and

1 (2) by striking “fiscal years 1995 through
2 1999” and inserting “fiscal years 1999 through
3 2004”.

4 (b) PROGRAM YEAR.—Section 2602(e) of such Act
5 (42 U.S.C. 8621(e)) is amended to read as follows:

6 “(c) Amounts appropriated under this section for 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-
11 FEDERAL RESOURCES.—Section 2602(d) of such Act (42
12 U.S.C. 8621(d)) is amended—

13 (1) by striking “(d)” and inserting “(d)(1)”;

14 (2) by striking “are authorized” and inserting
15 “is authorized”;

16 (3) by striking “\$50,000,000” and all that fol-
17 lows and inserting the following: “\$30,000,000 for
18 each of fiscal years 1999 through 2004, except as
19 provided in paragraph (2).”; and

20 (4) by adding at the end the following:

21 “(2) For any of fiscal years 1999 through 2004 for
22 which the amount appropriated under subsection (b) is not
23 less than \$1,400,000,000, there is authorized to be appro-
24 priated \$50,000,000 to carry out section 2607A.”.

1 (d) TECHNICAL AMENDMENTS.—Section 2602(e) of
2 such Act (42 U.S.C. 8621(e)) is amended—

3 (1) by striking “are authorized” and inserting
4 “is authorized”; and

5 (2) by striking “subsection (g)” and inserting
6 “subsection (e) of such section”.

7 **SEC. 302. DEFINITIONS.**

8 Section 2603(4) of the Low-Income Home Energy
9 Assistance Act of 1981 (42 U.S.C. 8622(4)) is amended—

10 (1) by striking “the term” and inserting “The
11 term”; and

12 (2) by striking the semicolon and inserting a
13 period.

14 **SEC. 303. NATURAL DISASTERS AND OTHER EMERGENCIES.**

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

17 (1) by redesignating paragraphs (6) through
18 (9) as paragraphs (8) through (11), respectively;

19 (2) by inserting before paragraph (8) (as red-
20 igned in paragraph (1)) the following:

21 “(7) NATURAL DISASTER.—The term ‘natural
22 disaster’ means a weather event (relating to cold or
23 hot weather), flood, earthquake, tornado, hurricane,
24 or ice storm, or an event meeting such other criteria

1 as the Secretary, in the discretion of the Secretary,
2 may determine to be appropriate.”;

3 (3) by redesignating paragraphs (1) through
4 (5) as paragraphs (2) through (6), respectively; and
5 (4) by inserting before paragraph (2) (as reded-
6 igned in paragraph (3)) the following:

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

8 “(A) a natural disaster;

9 “(B) a significant home energy supply shortage
10 or disruption;

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

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

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

1 U.S.C. 601 et seq.), as determined by the head of
2 the appropriate Federal agency;

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

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

10 **SEC. 304. STATE ALLOTMENTS.**

11 Section 2604 of the Low-Income Home Energy As-
12 sistance Act of 1981 (42 U.S.C. 8623) is amended—

13 (1) in subsection (b)(1), by striking “the North-
14 ern Mariana Islands, and the Trust Territory of the
15 Pacific Islands.” and inserting “the Commonwealth
16 of the Northern Mariana Islands, and the combined
17 Freely Associated States.”;

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

20 (3) by striking subsection (f);

21 (4) in subsection (g)—

22 (A) in the first sentence, by striking “(a)
23 through (f)” and inserting “(a) through (d)”;

24 and

1 (B) by striking the last two sentences and
2 inserting the following: “In determining wheth-
3 er to make such an allotment to a State, the
4 Secretary shall take into account the extent to
5 which the State was affected by the natural dis-
6 aster or other emergency involved, the availabil-
7 ity to the State of other resources under the
8 program carried out under this title or any
9 other program, whether a Member of Congress
10 has requested that the State receive the allot-
11 ment, and such other factors as the Secretary
12 may find to be relevant. Not later than 30 days
13 after making the determination, but prior to re-
14 leasing an allotted amount to a State, the Sec-
15 retary shall notify Congress of the allotments
16 made pursuant to this subsection.”; and

17 (5) by redesignating subsection (g) as sub-
18 section (e).

19 **SEC. 305. ADMINISTRATION.**

20 Section 2605 of the Low-Income Home Energy As-
21 sistance Act of 1981 (42 U.S.C. 8624) is amended—

22 (1) in subsection (b)—

23 (A) in paragraph (9)(A), by striking “and
24 not transferred pursuant to section 2604(f) for
25 use under another block grant”;

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

3 (C) in the matter following paragraph
4 (14), by striking “The Secretary may not pre-
5 scribe the manner in which the States will com-
6 ply with the provisions of this subsection.”; and

7 (D) in the matter following paragraph
8 (16), by inserting before “The Secretary shall
9 issue” the following: “The Secretary may not
10 prescribe the manner in which the States will
11 comply with the provisions of this subsection.”;
12 and

13 (2) in subsection (c)(1)—

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

16 (B) in subparagraph (G)(i), by striking
17 “has” and inserting “had”.

18 **SEC. 306. PAYMENTS TO STATES.**

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

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

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

1 **SEC. 307. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE**

2 **OPTION.**

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

8 (b) **REPORT.**—Not later than 2 years after the date
9 of enactment of this Act, the Comptroller General of the
10 United States shall prepare and submit to Congress a re-
11 port containing—

12 (1) the findings resulting from the evaluation
13 described in subsection (a); and

14 (2) the State evaluations described in para-
15 graphs (1) and (2) of subsection (b) of such section
16 2607B.

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

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

24 (1) in subsection (e)(2)—

1 (A) by redesignating subparagraphs (F)
2 through (N) as subparagraphs (E) through
3 (M), respectively; and

4 (B) in clause (i) of subparagraph (I) (as
5 redesignated in subparagraph (A)), by striking
6 “on” and inserting “of”; and

7 (2) by redesignating subsection (g) as sub-
8 section (f).

9 **SEC. 308. TECHNICAL ASSISTANCE, TRAINING, AND COM-**
10 **PLIANCE REVIEWS.**

11 (a) IN GENERAL.—Section 2609A(a) of the Low-In-
12 come Home Energy Assistance Act of 1981 (42 U.S.C.
13 8628a(a)) is amended—

14 (1) in the matter preceding paragraph (1)—

15 (A) by striking “\$250,000” and inserting
16 “\$300,000”; and

17 (B) by striking “Secretary—” and insert-
18 ing “Secretary to conduct onsite compliance re-
19 views of programs supported under this title
20 or—”; and

21 (2) in paragraph (2)—

22 (A) by inserting “or interagency agree-
23 ments” after “cooperative arrangements”; and

24 (B) by inserting “(including Federal agen-
25 cies)” after “public agencies”.

1 (b) CONFORMING AMENDMENT.—The section head-
2 ing of section 2609A of such Act (42 U.S.C. 8628a) is
3 amended to read as follows:

4 “TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE
5 REVIEWS”.

6 **TITLE IV—ASSETS FOR**
7 **INDEPENDENCE**

8 **SEC. 401. SHORT TITLE.**

9 This title may be cited as the “Assets for Independ-
10 ence Act”.

11 **SEC. 402. FINDINGS.**

12 Congress makes the following findings:

13 (1) Economic well-being does not come solely
14 from income, spending, and consumption, but also
15 requires savings, investment, and accumulation of
16 assets because assets can improve economic inde-
17 pendence and stability, connect individuals with a
18 viable and hopeful future, stimulate development of
19 human and other capital, and enhance the welfare of
20 offspring.

21 (2) Fully ½ of all Americans have either no,
22 negligible, or negative assets available for invest-
23 ment, just as the price of entry to the economic
24 mainstream, the cost of a house, an adequate edu-
25 cation, and starting a business, is increasing. Fur-
26 ther, the household savings rate of the United States

1 lags far behind other industrial nations, presenting
2 a barrier to economic growth.

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

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

21 **SEC. 403. PURPOSES.**

22 The purposes of this title are to provide for the estab-
23 lishment of demonstration projects designed to deter-
24 mine—

1 (1) the social, civic, psychological, and economic
2 effects of providing to individuals and families with
3 limited means an incentive to accumulate assets by
4 saving a portion of their earned income;

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

11 (3) the extent to which an asset-based policy
12 stabilizes and improves families and the community
13 in which they live.

14 **SEC. 404. DEFINITIONS.**

15 In this title:

16 (1) **APPLICABLE PERIOD.**—The term “applica-
17 ble period” means, with respect to amounts to be
18 paid from a grant made for a project year, the cal-
19 endar year immediately preceding the calendar year
20 in which the grant is made.

21 (2) **ELIGIBLE INDIVIDUAL.**—The term “eligible
22 individual” means an individual who is selected to
23 participate by a qualified entity under section 409.

1 (3) EMERGENCY WITHDRAWAL.—The term
2 “emergency withdrawal” means a withdrawal by an
3 eligible individual that—

4 (A) is a withdrawal of only those funds, or
5 a portion of those funds, deposited by the indi-
6 vidual in the individual development account of
7 the individual;

8 (B) is permitted by a qualified entity on a
9 case-by-case basis; and

10 (C) is made for—

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

15 (ii) payments necessary to prevent the
16 eviction of the individual from the resi-
17 dence of the individual, or foreclosure on
18 the mortgage for the principal residence of
19 the individual, as defined in paragraph
20 (8)(B); or

21 (iii) payments necessary to enable the
22 individual to meet necessary living ex-
23 penses following loss of employment.

24 (4) HOUSEHOLD.—The term “household”
25 means all individuals who share use of a dwelling

1 unit as primary quarters for living and eating sepa-
2 rate from other individuals.

3 (5) INDIVIDUAL DEVELOPMENT ACCOUNT.—

4 (A) IN GENERAL.—The term “individual
5 development account” means a trust created or
6 organized in the United States exclusively for
7 the purpose of paying the qualified expenses of
8 an eligible individual, or enabling the eligible in-
9 dividual to make an emergency withdrawal, but
10 only if the written governing instrument creat-
11 ing the trust meets the following requirements:

12 (i) No contribution will be accepted
13 unless it is in cash or by check.

14 (ii) The trustee is a federally insured
15 financial institution, or a State insured fi-
16 nancial institution if no federally insured
17 financial institution is available.

18 (iii) The assets of the trust will be in-
19 vested in accordance with the direction of
20 the eligible individual after consultation
21 with the qualified entity providing deposits
22 for the individual under section 410.

23 (iv) The assets of the trust will not be
24 commingled with other property except in

1 a common trust fund or common invest-
2 ment fund.

3 (v) Except as provided in clause (vi),
4 any amount in the trust which is attrib-
5 utable to a deposit provided under section
6 410 may be paid or distributed out of the
7 trust only for the purpose of paying the
8 qualified expenses of the eligible individual,
9 or enabling the eligible individual to make
10 an emergency withdrawal.

11 (vi) Any balance in the trust on the
12 day after the date on which the individual
13 for whose benefit the trust is established
14 dies shall be distributed within 30 days of
15 that date as directed by that individual to
16 another individual development account es-
17 tablished for the benefit of an eligible indi-
18 vidual.

19 (B) CUSTODIAL ACCOUNTS.—For purposes
20 of subparagraph (A), a custodial account shall
21 be treated as a trust if the assets of the custo-
22 dial account are held by a bank (as defined in
23 section 408(n) of the Internal Revenue Code of
24 1986) or another person who demonstrates, to
25 the satisfaction of the Secretary, that the man-

1 ner in which such person will administer the
2 custodial account will be consistent with the re-
3 quirements of this title, and if the custodial ac-
4 count would, except for the fact that it is not
5 a trust, constitute an individual development
6 account described in subparagraph (A). For
7 purposes of this title, in the case of a custodial
8 account treated as a trust by reason of the pre-
9 ceding sentence, the custodian of that custodial
10 account shall be treated as the trustee thereof.

11 (6) PROJECT YEAR.—The term “project year”
12 means, with respect to a demonstration project, any
13 of the 4 consecutive 12-month periods beginning on
14 the date the project is originally authorized to be
15 conducted.

16 (7) QUALIFIED ENTITY.—

17 (A) IN GENERAL.—The term “qualified en-
18 tity” means—

19 (i) one or more not-for-profit organi-
20 zations described in section 501(c)(3) of
21 the Internal Revenue Code of 1986 and ex-
22 empt from taxation under section 501(a)
23 of such Code; or

24 (ii) a State or local government agen-
25 cy, or a tribal government, submitting an

1 application under section 405 jointly with
2 an organization described in clause (i).

3 (B) RULE OF CONSTRUCTION.—Nothing in
4 this paragraph shall be construed as preventing
5 an organization described in subparagraph
6 (A)(i) from collaborating with a financial insti-
7 tution or for-profit community development cor-
8 poration to carry out the purposes of this title.

9 (8) QUALIFIED EXPENSES.—The term “quali-
10 fied expenses” means one or more of the following,
11 as provided by the qualified entity:

12 (A) POSTSECONDARY EDUCATIONAL EX-
13 PENSES.—Postsecondary educational expenses
14 paid from an individual development account di-
15 rectly to an eligible educational institution. In
16 this subparagraph:

17 (i) POSTSECONDARY EDUCATIONAL
18 EXPENSES.—The term “postsecondary
19 educational expenses” means the following:

20 (I) TUITION AND FEES.—Tuition
21 and fees required for the enrollment
22 or attendance of a student at an eligi-
23 ble educational institution.

24 (II) FEES, BOOKS, SUPPLIES,
25 AND EQUIPMENT.—Fees, books, sup-

1 plies, and equipment required for
2 courses of instruction at an eligible
3 educational institution.

4 (ii) ELIGIBLE EDUCATIONAL INSTITU-
5 TION.—The term “eligible educational in-
6 stitution” means the following:

7 (I) INSTITUTION OF HIGHER
8 EDUCATION.—An institution described
9 in section 481(a)(1) or 1201(a) of the
10 Higher Education Act of 1965 (20
11 U.S.C. 1088(a)(1) or 1141(a)), as
12 such sections are in effect on the date
13 of enactment of this title.

14 (II) POSTSECONDARY VOCA-
15 TIONAL EDUCATION SCHOOL.—An
16 area vocational education school (as
17 defined in subparagraph (C) or (D) of
18 section 521(4) of the Carl D. Perkins
19 Vocational and Applied Technology
20 Education Act (20 U.S.C. 2471(4)))
21 which is in any State (as defined in
22 section 521(33) of such Act), as such
23 sections are in effect on the date of
24 enactment of this title.

1 (B) FIRST-HOME PURCHASE.—Qualified
2 acquisition costs with respect to a principal res-
3 idence for a qualified first-time homebuyer, if
4 paid from an individual development account di-
5 rectly to the persons to whom the amounts are
6 due. In this subparagraph:

7 (i) PRINCIPAL RESIDENCE.—The term
8 “principal residence” means a principal
9 residence, the qualified acquisition costs of
10 which do not exceed 100 percent of the av-
11 erage area purchase price applicable to
12 such residence.

13 (ii) QUALIFIED ACQUISITION COSTS.—
14 The term “qualified acquisition costs”
15 means the costs of acquiring, constructing,
16 or reconstructing a residence. The term in-
17 cludes any usual or reasonable settlement,
18 financing, or other closing costs.

19 (iii) QUALIFIED FIRST-TIME HOME-
20 BUYER.—

21 (I) IN GENERAL.—The term
22 “qualified first-time homebuyer”
23 means an individual participating in
24 the project (and, if married, the indi-
25 vidual’s spouse) who has no present

1 ownership interest in a principal resi-
2 dence during the 3-year period ending
3 on the date of acquisition of the prin-
4 cipal residence to which this subpara-
5 graph applies.

6 (II) DATE OF ACQUISITION.—

7 The term “date of acquisition” means
8 the date on which a binding contract
9 to acquire, construct, or reconstruct
10 the principal residence to which this
11 subparagraph applies is entered into.

12 (C) BUSINESS CAPITALIZATION.—Amounts

13 paid from an individual development account di-
14 rectly to a business capitalization account which
15 is established in a federally insured financial in-
16 stitution and is restricted to use solely for
17 qualified business capitalization expenses. In
18 this subparagraph:

19 (i) QUALIFIED BUSINESS CAPITALIZA-

20 TION EXPENSES.—The term “qualified
21 business capitalization expenses” means
22 qualified expenditures for the capitalization
23 of a qualified business pursuant to a quali-
24 fied plan.

1 (ii) QUALIFIED EXPENDITURES.—The
2 term “qualified expenditures” means ex-
3 penditures included in a qualified plan, in-
4 cluding capital, plant, equipment, working
5 capital, and inventory expenses.

6 (iii) QUALIFIED BUSINESS.—The term
7 “qualified business” means any business
8 that does not contravene any law or public
9 policy (as determined by the Secretary).

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

14 (I) is approved by a financial in-
15 stitution, a microenterprise develop-
16 ment organization, or a nonprofit loan
17 fund having demonstrated fiduciary
18 integrity;

19 (II) includes a description of
20 services or goods to be sold, a market-
21 ing plan, and projected financial
22 statements; and

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

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

6 (i) the individual’s spouse; or

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

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

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

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

1 **SEC. 405. APPLICATIONS.**

2 (a) ANNOUNCEMENT OF DEMONSTRATION
3 PROJECTS.—Not later than 3 months after the date of
4 enactment of this title, the Secretary shall publicly an-
5 nounce the availability of funding under this title for dem-
6 onstration projects and shall ensure that applications to
7 conduct the demonstration projects are widely available to
8 qualified entities.

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

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

16 (1) SUFFICIENCY OF PROJECT.—The degree to
17 which the project described in the application ap-
18 pears likely to aid project participants in achieving
19 economic 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
24 of 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
5 experience 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-
11 Federal public sector and from private sources that
12 are formally committed to the project as matching
13 contributions.

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

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

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

24 (1) demonstrates the willingness and ability to
25 select individuals described in section 408 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 one
9 or more relatively well-defined neighborhoods or
10 communities (including rural communities) that ex-
11 perience high rates of poverty or unemployment.

12 (e) APPROVAL.—Not later than 9 months after the
13 date of enactment of this title, the Secretary shall, on a
14 competitive basis, approve such applications to conduct
15 demonstration projects under this title as the Secretary
16 deems appropriate, taking into account the assessments
17 required by subsections (c) and (d). The Secretary is en-
18 couraged to ensure that the applications that are approved
19 involve 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 ex-
24 empt from taxation under section 501(a) of such Code to

1 carry out any responsibility of the Secretary under this
2 section or section 412 if—

3 (1) such entity demonstrates the ability to carry
4 out such responsibility; and

5 (2) the Secretary can demonstrate that such re-
6 sponsibility would not be carried out by the Sec-
7 retary at a lower cost.

8 **SEC. 406. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.**

9 (a) **DEMONSTRATION AUTHORITY.**—If the Secretary
10 approves an application to conduct a demonstration
11 project under this title, the Secretary shall, not later than
12 10 months after the date of enactment of this title, au-
13 thorize the applicant to conduct the project for 4 project
14 years in accordance with the approved application and the
15 requirements of this title.

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

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

25 (2) \$1,000,000.

1 **SEC. 407. RESERVE FUND.**

2 (a) ESTABLISHMENT.—A qualified entity under this
3 title, 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.—
16 The Secretary shall prescribe regulations with re-
17 spect to accounting for amounts in the Reserve
18 Fund established 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 coun-
26 seling) and information necessary to achieve

1 economic self-sufficiency through activities re-
2 quiring qualified expenses;

3 (B) provide deposits in accordance with
4 section 410 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
11 414 with such information with respect to the
12 demonstration project as may be required for
13 the 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)
18 in a manner that provides an appropriate bal-
19 ance 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 406(b) shall be used by the qualified
4 entity for the purposes described in subparagraphs
5 (A), (C), and (D) of paragraph (1), of which not less
6 than 2 percent of the amounts shall be used by the
7 qualified entity for the purposes described in para-
8 graph (1)(D). If two or more qualified entities are
9 jointly administering a project, no qualified entity
10 shall use more than its proportional share for the
11 purposes described in subparagraphs (A), (C), and
12 (D) of paragraph (1).

13 (d) UNUSED FEDERAL GRANT FUNDS TRANS-
14 FERRED TO THE SECRETARY WHEN PROJECT TERMI-
15 NATES.—Notwithstanding subsection (c), upon the termi-
16 nation of any demonstration project authorized under this
17 section, the qualified entity conducting the project shall
18 transfer to the 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 406(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. 408. ELIGIBILITY FOR PARTICIPATION.**

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

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
16 the 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
20 preceding the determination of eligibility, does
21 not exceed \$10,000.

22 (B) DETERMINATION OF NET WORTH.—
23 For purposes of subparagraph (A), the net
24 worth 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 one 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 title, to ensure compliance with this title if an
16 individual participating in the demonstration project
17 moves from the community in which the project is con-
18 ducted or is otherwise unable to continue participating in
19 that project.

20 **SEC. 409. SELECTION OF INDIVIDUALS TO PARTICIPATE.**

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

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

1 (2) to whom the qualified entity will provide de-
2 posits in accordance with section 410.

3 **SEC. 410. 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 title shall deposit in the individual development account
7 of each individual participating in the project, or into a
8 parallel account maintained by the qualified entity—

9 (1) from the non-Federal funds described in
10 section 405(c)(4), a matching contribution of not
11 less than \$0.50 and not more than \$4 for every \$1
12 of earned income (as defined in section 911(d)(2) of
13 the Internal Revenue Code of 1986) deposited in the
14 account by a project participant during that period;

15 (2) from the grant made under section 406(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
20 that individual into the individual development ac-
21 count of the individual or into a parallel account
22 maintained by the qualified entity.

23 (b) LIMITATION ON DEPOSITS FOR AN INDIVID-
24 UAL.—Not more than \$2,000 from a grant made under

1 section 406(b) shall be provided to any one individual over
2 the course of the demonstration project.

3 (c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—

4 Not more than \$4,000 from a grant made under section
5 406(b) shall be provided to any one household over the
6 course of the demonstration project.

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

18 (e) REIMBURSEMENT.—An individual shall reimburse
19 an individual development account for any funds with-
20 drawn from the account for an emergency withdrawal, not
21 later than 12 months after the date of the withdrawal.
22 If the individual fails to make the reimbursement, the
23 qualified entity administering the account shall transfer
24 the funds deposited into the account or a parallel account
25 under section 410 to the Reserve Fund of the qualified

1 entity, and use the funds to benefit other individuals par-
2 ticipating in the demonstration project involved.

3 **SEC. 411. LOCAL CONTROL OVER DEMONSTRATION**
4 **PROJECTS.**

5 A qualified entity under this title, other than a State
6 or local government agency or a tribal government, shall,
7 subject to the provisions of section 413, have sole author-
8 ity 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 title
11 as are necessary to ensure compliance with the approved
12 applications and the requirements of this title.

13 **SEC. 412. ANNUAL PROGRESS REPORTS.**

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

19 (1) The number of individuals making a deposit
20 into an individual development account.

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

23 (3) The amounts deposited in the individual de-
24 velopment accounts.

1 (4) The amounts withdrawn from the individual
2 development accounts and the purposes for which
3 such amounts were withdrawn.

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

6 (6) The savings account characteristics (such as
7 threshold amounts and match rates) required to
8 stimulate participation in the demonstration project,
9 and how such characteristics vary among different
10 populations or communities.

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

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

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

22 (1) the Secretary; and

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

1 or a local government or a tribal government com-
2 mitted funds to the demonstration project.

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

9 **SEC. 413. SANCTIONS.**

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

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

21 (1) shall suspend the demonstration project;

22 (2) shall take control of the Reserve Fund es-
23 tablished pursuant to section 407;

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

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

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

7 (A) authorize the entity (or entities) to
8 conduct the project in accordance with the ap-
9 proved application (or, as modified, if nec-
10 essary, to incorporate the recommendations)
11 and the requirements of this title;

12 (B) transfer to the entity (or entities) con-
13 trol over the Reserve Fund established pursuant
14 to section 407; and

15 (C) consider, for purposes of this title—

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

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

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

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

3 (A) terminate the project; and

4 (B) from the amount remaining in the Re-
5 serve Fund established as part of the project,
6 remit to each source that provided funds under
7 section 405(c)(4) to the entity originally au-
8 thorized to conduct the project, an amount that
9 bears the same ratio to the amount so remain-
10 ing as the amount provided by the source under
11 section 405(c)(4) bears to the amount provided
12 by all such sources under that section.

13 **SEC. 414. EVALUATIONS.**

14 (a) **IN GENERAL.**—Not later than 10 months after
15 the date of enactment of this title, the Secretary shall
16 enter into a contract with an independent research organi-
17 zation to evaluate, individually and as a group, all quali-
18 fied entities and sources participating in the demonstra-
19 tion projects conducted under this title.

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

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

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

5 (3) The economic, civic, psychological, and so-
6 cial effects of asset accumulation, and how such ef-
7 fects vary among different populations or commu-
8 nities.

9 (4) The effects of individual development ac-
10 counts on savings rates, homeownership, level of
11 postsecondary education attained, and self-employ-
12 ment, and how such effects vary among different
13 populations or communities.

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

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

22 (7) Such other factors as may be prescribed by
23 the Secretary.

1 (c) METHODOLOGICAL REQUIREMENTS.—In evaluat-
2 ing any demonstration project conducted under this title,
3 the research organization shall—

4 (1) for at least one site, use control groups to
5 compare participants with nonparticipants;

6 (2) before, during, and after the project, obtain
7 such quantitative data as are necessary to evaluate
8 the project thoroughly; and

9 (3) develop a qualitative assessment, derived
10 from sources such as in-depth interviews, of how
11 asset accumulation affects individuals and families.

12 (d) REPORTS BY THE SECRETARY.—

13 (1) INTERIM REPORTS.—Not later than 90 days
14 after the end of the calendar year in which the Sec-
15 retary first authorizes a qualified entity to conduct
16 a demonstration project under this title, and every
17 12 months thereafter until all demonstration
18 projects conducted under this title are completed,
19 the Secretary shall submit to Congress an interim
20 report setting forth the results of the reports sub-
21 mitted pursuant to section 412(b).

22 (2) FINAL REPORTS.—Not later than 12
23 months after the conclusion of all demonstration
24 projects conducted under this title, the Secretary
25 shall submit to Congress a final report setting forth

1 the results and findings of all reports and evalua-
2 tions conducted pursuant to this title.

3 (e) **EVALUATION EXPENSES.**—The Secretary shall
4 expend such sums as may be necessary, but not more than
5 2 percent of the amounts appropriated under section 416
6 for a fiscal year, to carry out the purposes of this section.

7 **SEC. 415. TREATMENT OF FUNDS.**

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

15 **SEC. 416. AUTHORIZATION OF APPROPRIATIONS.**

16 There is authorized to be appropriated to carry out
17 this title, \$25,000,000 for each of fiscal years 1999, 2000,
18 2001, 2002, and 2003 to remain available until expended.

Passed the Senate July 27, 1998.

Attest:

Secretary.

105TH CONGRESS
2^D SESSION

S. 2206

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.