Calendar No. 483

105TH CONGRESS
2D SESSION

S. 2206

[Report No. 105–256]

A BILL

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.

JULY 21, 1998

Reported with an amendment

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IN THE SENATE OF THE UNITED STATES

JUNE 23, 1998

Mr. COATS (for himself, Mr. DODD, Mr. JEFFORDS, and Mr. KENNEDY) introduced the following bill; which was read twice and referred to the Committee on Labor and Human Resources

JULY 21, 1998

Reported by Mr. JEFFORDS, with an amendment

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

A BILL

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.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

~~SECTION 1. SHORT TITLE.~~

~~This Act may be cited as the "Human Services Reauthorization Act of 1998".~~

~~SEC. 2. TABLE OF CONTENTS.~~

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

~~Sec. 1. Short title.~~
~~Sec. 2. Table of contents.~~

~~TITLE I—HEAD START PROGRAMS~~

~~Sec. 101. Short title.~~
~~Sec. 102. References.~~
~~Sec. 103. Statement of purpose.~~
~~Sec. 104. Definitions.~~
~~Sec. 105. Financial assistance for Head Start programs.~~
~~Sec. 106. Authorization of appropriations.~~
~~Sec. 107. Allotment of funds.~~
~~Sec. 108. Designation of Head Start agencies.~~
~~Sec. 109. Quality standards.~~
~~Sec. 110. Powers and functions of Head Start agencies.~~
~~Sec. 111. Head Start transition.~~
~~Sec. 112. Submission of plans to Governors.~~
~~Sec. 113. Participation in Head Start programs.~~
~~Sec. 114. Early Head Start programs for families with infants and toddlers.~~
~~Sec. 115. Technical assistance and training.~~
~~Sec. 116. Staff qualifications and development.~~
~~Sec. 117. Research, demonstration, and evaluation.~~

~~TITLE II—COMMUNITY SERVICES BLOCK GRANT PROGRAM~~

~~Sec. 201. Reauthorization.~~
~~Sec. 202. Conforming amendments.~~
~~Sec. 203. Repealers.~~

~~TITLE III—LOW-INCOME HOME ENERGY ASSISTANCE~~

~~Sec. 301. Authorization.~~
~~Sec. 302. Definitions.~~
~~Sec. 303. Natural disasters and other emergencies.~~
~~Sec. 304. State allotments.~~
~~Sec. 305. Administration.~~
~~Sec. 306. Payments to States.~~
~~Sec. 307. Residential Energy Assistance Challenge option.~~
~~Sec. 308. Technical assistance, training, and compliance reviews.~~

~~TITLE IV—ASSETS FOR INDEPENDENCE~~

~~Sec. 401. Short title.~~
~~Sec. 402. Findings.~~
~~Sec. 403. Purposes.~~
~~Sec. 404. Definitions.~~
~~Sec. 405. Applications.~~
~~Sec. 406. Demonstration authority; annual grants.~~
~~Sec. 407. Reserve fund.~~
~~Sec. 408. Eligibility for participation.~~
~~Sec. 409. Selection of individuals to participate.~~
~~Sec. 410. Deposits by qualified entities.~~
~~Sec. 411. Local control over demonstration projects.~~
~~Sec. 412. Annual progress reports.~~
~~Sec. 413. Sanctions.~~
~~Sec. 414. Evaluations.~~
~~Sec. 415. Treatment of funds.~~
~~Sec. 416. Authorization of appropriations.~~

~~TITLE I—HEAD START PROGRAMS~~

~~SEC. 101. SHORT TITLE.~~

~~This title may be cited as the ''Head Start Amendments of 1998''.~~

~~SEC. 102. REFERENCES.~~

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

~~SEC. 103. STATEMENT OF PURPOSE.~~

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

~~''SEC. 636. STATEMENT OF PURPOSE.~~

~~''It is the purpose of this subchapter to promote school readiness by enhancing the social and cognitive de-~~

~~velopment of low-income children through the provision, to low-income children and their families, of health, educational, nutritional, social, and other services that are determined to be necessary, based on family needs assessments.''.~~

~~SEC. 104. DEFINITIONS.~~

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

~~(1) by redesignating paragraphs (3) through (14) as paragraphs (4) through (15), respectively;~~

~~(2) by inserting after paragraph (2) the following:~~

~~''(3) The term 'child with a disability' means—~~

~~''(A) a child with a disability, as defined in section 602(3) of the Individuals with Disabilities Education Act; and~~

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

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

~~''(5) The term 'family literacy services' means services that—~~

~~''(A) are provided to participants who receive the services on a voluntary basis;~~

~~''(B) are of sufficient intensity, and of sufficient duration, to make sustainable changes in~~

~~a family (such as eliminating or reducing dependence on income-based public assistance); and~~

~~"(C) integrate each of—~~

~~"(i) interactive literacy activities between parents and their children;~~

~~"(ii) training for parents on being partners with their children in learning;~~

~~"(iii) parent literacy training, including training that contributes to economic self-sufficiency; and~~

~~"(iv) appropriate instruction for children of parents receiving the parent literacy training.";~~

~~(4) in paragraph (7) (as redesignated in paragraph (1)), by adding at the end the following: "Nothing in this paragraph shall be construed to require an agency to provide services to a child who has not reached the age of compulsory school attendance for more than the number of hours per day permitted by State law (including regulation) for the provision of services to such a child.";~~

~~(5) by striking paragraph (13) (as redesignated in paragraph (1)) and inserting the following:~~

~~"(13) The term "migrant or seasonal Head Start program" means—~~

~~"(A) with respect to services for migrant farmworkers, a Head Start program that serves families who are engaged in agricultural labor and who have changed their residence from 1 geographic location to another in the preceding 2-year period; and~~

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

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

~~"(16) The term 'reliable and replicable', used with respect to research, means an objective, valid, scientific study that—~~

~~"(A) includes a rigorously defined sample of subjects, that is sufficiently large and representative to support the general conclusions of the study;~~

~~"(B) relies on measurements that meet established standards of reliability and validity;~~

~~"(C) is subjected to peer review before the results of the study are published; and~~

~~"(D) discovers effective strategies for enhancing the development and skills of children.".~~

~~SEC. 105. FINANCIAL ASSISTANCE FOR HEAD START PROGRAMS.~~

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

~~(1) by striking "aid the" and inserting "enable the"; and~~

~~(2) by striking the semicolon and inserting "and attain school readiness;".~~

~~SEC. 106. AUTHORIZATION OF APPROPRIATIONS.~~

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

~~(1) in subsection (a), by striking "1995 through 1998" and inserting "1999 through 2003"; and~~

~~(2) in subsection (b), by striking all that follows "shall make available—" and inserting the following:~~

~~"(1) for each of fiscal years 1999 through 2003 to carry out activities authorized under section 642A, not more than $35,000,000 but not less than was made available for such activities for fiscal year 1998;~~

~~"(2) not more than $5,000,000 for each of fiscal years 1999 through 2003 to carry out impact studies under section 649(f); and~~

~~"(3) not more than $12,000,000 for fiscal year 1999, and such sums as may be necessary for each of fiscal years 2000 through 2003, to carry out other research, demonstration, and evaluation activities, including longitudinal studies, under section 649.".~~

~~SEC. 107. ALLOTMENT OF FUNDS.~~

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

~~(1) in paragraph (2)—~~

~~(A) in subparagraph (A)—~~

~~(i) by striking "handicapped children" and inserting "children with disabilities";~~

~~(ii) by striking "migrant Head Start programs" each place it appears and inserting "migrant or seasonal Head Start programs";~~

~~(iii) by striking "1994" and inserting "1998"; and~~

~~(iv) by adding at the end the following: "In determining the need and demand for migrant and seasonal Head Start pro-~~

~~grams, and services provided through such programs, the Secretary shall consult with appropriate entities, including providers of services for seasonal and migrant Head Start programs. The Secretary shall, after taking into consideration the need and demand for migrant and seasonal Head Start programs, and such services, ensure that there is an adequate level of such services for the children of eligible migrant farmworkers before approving an increase in the allocation provided for children of eligible seasonal farmworkers.'';~~

~~(B) in subparagraph (C), by striking ''and'' at the end;~~

~~(C) in subparagraph (D), by striking ''related to the development and implementation of quality improvement plans under section 641A(d)(2)'' and inserting ''carried out under paragraph (1), (2), or (3) of section 641A(d) related to correcting deficiencies and conducting proceedings to terminate the designation of Head Start agencies; and'';~~

~~(D) by inserting after subparagraph (D) the following:~~

~~"(E) payments for research, demonstration, and evaluation activities under section 649.";~~ ~~and~~

~~(E) by adding at the end the following: "In carrying out this subchapter, the Secretary shall continue the administrative arrangement responsible for meeting the needs of migrant or seasonal farmworker and Indian children and shall assure that appropriate funding is provided to meet such needs.";~~

~~(2) in paragraph (3)—~~

~~(A) in subparagraph (B)—~~

~~(i) in clause (ii)—~~

~~(I) by striking "adequate qualified staff" and inserting "adequate numbers of qualified staff";~~ ~~and~~

~~(II) by inserting "and children with disabilities" before ", when";~~

~~(ii) in clause (iv), by inserting before the period the following: ", and to encourage the staff to continually improve their skills and expertise by informing the staff of the availability of State and Federal incentive and loan forgiveness programs for professional development and by providing for preferences in the awarding of salary~~

increases, in excess of cost of living allowances, to staff who obtain additional training or education related to their responsibilities as employees of a Head Start program or to advance their careers within the Head Start program'';

(iii) in clause (vi), by striking the period and inserting '', and are physically accessible to children with disabilities and their parents.'';

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

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

''(vii) Ensuring that such programs have qualified staff that can promote language skills and literacy growth of children and that provide children with a variety of skills that have been identified, through research that is reliable and replicable, as predictive of later reading achievement.'';

(B) in subparagraph (C)—

(i) in clause (i)(I)—

(I) by striking ''of staff'' and inserting ''of classroom teachers and other staff''; and

~~(II) by striking "such staff" and inserting "qualified staff, including recruitment and retention pursuant to section 648A(a)";~~

~~(ii) by striking clause (ii) and inserting the following:~~

~~"(ii) To supplement amounts provided under paragraph (2)(C) to provide training to classroom teachers and other staff on proven techniques that promote—~~

~~"(I) language and literacy growth; and~~

~~"(II) the acquisition of the English language for non-English background children and families.";~~

~~(iii) in clause (v), by inserting "accessibility or" before "availability";~~

~~(iv) to redesignate clauses (iii), (iv), (v), and (vi) as clauses (iv), (v), (vi), and (iii), respectively; and~~

~~(v) by inserting clause (iii) (as redesignated in clause (iv) of this subparagraph) after clause (ii); and~~

~~(C) in subparagraph (D)(i)(II), by striking "migrant Head Start programs" and inserting "migrant or seasonal Head Start programs";~~

~~(3) in paragraph (4)(A), by striking "1981" and inserting "1998";~~

~~(4) in paragraph (5)—~~

~~(A) in subparagraph (A), by striking "subparagraph (B)" and inserting "subparagraphs (B) and (D)";~~

~~(B) in subparagraph (B), by inserting before the period the following "and encourage Head Start agencies to collaborate with entities involved in State and local planning processes (including the State lead agency administering the financial assistance received under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) and the entities providing resource and referral services in the State) in order to better meet the needs of low-income children and families";~~

~~(C) in subparagraph (C)—~~

~~(i) in clause (i)(I), by inserting "the appropriate regional office of the Administration for Children and Families and" before "agencies";~~

~~(ii) in clause (iii), by striking "and" at the end;~~

~~(iii) in clause (iv)—~~

~~(I) by striking "education, and national service activities," and inserting "education, and community service activities,";~~

~~(II) by striking "and activities" and inserting "activities"; and~~

~~(III) by striking the period and inserting ", and services for homeless children; and"; and~~

~~(iv) by adding at the end the following:~~

~~"(v) include representatives of the State Head Start Association and local Head Start agencies in unified planning regarding early care and education services at both the State and local levels, including collaborative efforts to plan for the provision of full-working-day, full calendar year early care and education services for children.";~~

~~(D) by redesignating subparagraph (D) as subparagraph (F); and~~

~~(E) by inserting after subparagraph (C) the following:~~

~~"(D) Following the award of collaboration grants described in subparagraph (B), the Secretary shall provide,~~

~~from the reserved sums, supplemental funding for collaboration grants—~~

~~"(i) to States that (in consultation with their State Head Start Associations) develop statewide, regional, or local unified plans for early childhood education and child care that include the participation of Head Start agencies; and~~

~~"(ii) to States that engage in other innovative collaborative initiatives, including plans for collaborative training and career development initiatives for child care, early childhood education, and Head Start service managers, providers, and staff.~~

~~"(E)(i) The Secretary shall—~~

~~"(I) review on an ongoing basis evidence of barriers to effective collaboration between Head Start programs and other Federal child care and early childhood education programs and resources;~~

~~"(II) develop initiatives, including providing additional training and technical assistance and making regulatory changes, in necessary cases, to eliminate barriers to the collaboration; and~~

~~"(III) develop a mechanism to resolve administrative and programmatic conflicts between such programs that would be a barrier to service providers, parents, or children related to the provision of~~

~~unified services and the consolidation of funding for child care services.~~

~~"(ii) In the case of a collaborative activity funded under this subchapter and another provision of law providing for Federal child care or early childhood education, the use of equipment and nonconsumable supplies purchased with funds made available under this subchapter or such provision shall not be restricted to children enrolled or otherwise participating in the program carried out under that subchapter or provision, during a period in which the activity is predominantly funded under this subchapter or such provision."; and~~

~~(5) in paragraph (6)—~~

~~(A) by inserting "(A)" before "From"; and~~

~~(B) by striking "3 percent" and all that follows and inserting the following: "7.5 percent for fiscal year 1999, 8 percent for fiscal year 2000, 9 percent for fiscal year 2001, 10 percent for fiscal year 2002, and 10 percent for fiscal year 2003, of the amount appropriated pursuant to section 639(a), except as provided in subparagraph (B).~~

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

~~the portion described in subparagraph (A) without reducing the number of children served by Head Start programs or negatively impacting the quality of Head Start services, relative to the number of children served and the quality of the services during the preceding fiscal year, the Secretary may reduce the percentage of funds required to be reserved for the portion described in subparagraph (A) for the fiscal year for which the determination is made, but not below the percentage required to be so reserved for the preceding fiscal year.~~

~~"(ii) For any fiscal year for which the amount appropriated under section 639(a) is lowered to a level that requires a reduction in the amount made available under this subchapter to Head Start agencies and entities described in section 645A, relative to the amount made available to the agencies and entities for the preceding fiscal year, adjusted as described in paragraph (3)(A)(ii), the Secretary shall proportionately reduce—~~

~~"(I) the amounts made available to the entities for programs carried out under section 645A, and~~

~~"(II) the amounts made available to Head Start agencies for Head Start programs.".~~

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

~~(1) by striking "1982" and inserting "1999"; and~~

~~(2) by striking "(as defined in section 602(a) of the Individuals with Disabilities Education Act)".~~

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

~~(1) in paragraph (2)—~~

~~(A) in subparagraph (A), by striking the semicolon and inserting ", and the performance history of the applicant in providing services under other Federal programs (other than the program carried out under this subchapter);";~~

~~(B) in subparagraph (C), by striking the semicolon and inserting ", and organizations serving children with disabilities;";~~

~~(C) in subparagraph (D), by inserting before the semicolon the following: "and the extent to which, and manner in which, the applicant demonstrates the ability to collaborate and participate with other local community providers of child care or preschool services to provide full working day, full calendar year services";~~

~~(D) in subparagraph (E), by striking "program; and" and inserting "or any other early childhood program;";~~

~~(E) in subparagraph (F), by striking the period and inserting "; and"; and~~

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

~~"(G) the extent to which the applicant proposes to foster partnerships with other service providers in a manner that will enhance the resource capacity of the applicant."; and~~

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

~~"(4) Notwithstanding subsection (a)(2), after taking into account the provisions of paragraph (1), the Secretary may allocate a portion of the remaining additional funds under subsection (a)(2)(A) for the purpose of increasing funds available for the activities described in such subsection.".~~

~~(d) MIGRANT OR SEASONAL HEAD START PROGRAMS.—Section 640(l) (42 U.S.C. 9835(l)) is amended—~~

~~(1) by striking "migrant Head Start programs" each place it appears and inserting "migrant or seasonal Head Start programs"; and~~

~~(2) by striking "migrant families" and inserting "migrant or seasonal farmworker families".~~

~~(e) CONFORMING AMENDMENT.—Section 644(f)(2) (42 U.S.C. 9839(f)(2)) is amended by striking "640(a)(3)(C)(v)" and inserting "640(a)(3)(C)(vi)."~~

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

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

~~(1) in subsection (a)—~~

~~(A) in the matter preceding paragraph (1), by inserting "or for-profit" after "nonprofit"; and~~

~~(B) in paragraph (2), by inserting "(in consultation with the chief executive officer of the State in which the community is located)" after "the Secretary";~~

~~(2) in subsection (c)—~~

~~(A) in paragraph (1)—~~

~~(i) by striking "shall give priority" and inserting "shall, in consultation with the chief executive officer of the State, give priority";~~

~~(ii) by inserting "or for-profit" after "nonprofit"; and~~

~~(iii) by striking "unless the Secretary makes a finding" and all that follows and inserting the following: "unless the Secretary determines that the agency involved fails to meet program and financial management requirements, performance standards described in section 641A(a)(1), and~~

~~other requirements established by the Secretary.'';~~

~~(B) in paragraph (2), by striking ''shall give priority'' and inserting ''shall, in consultation with the chief executive officer of the State, give priority''; and~~

~~(C) by aligning the margins of paragraphs (2) and (3) with the margins of paragraph (1);~~

~~(3) in subsection (d)—~~

~~(A) in the matter preceding paragraph (1), by inserting after the first sentence the following new sentence: ''In selecting from among qualified applicants for designation as a Head Start agency, the Secretary shall give priority to any qualified agency that functioned as a Head Start delegate agency in the community and carried out a Head Start program that the Secretary determines has met or exceeded the performance standards and outcome-based performance measures described in section 641A.'';~~

~~(B) in paragraph (4)(A), by inserting ''(at home and in the center involved where practicable)'' after ''activities'';~~

~~(C) by redesignating paragraphs (7) and (8) as paragraphs (9) and (10); and~~

~~(D) by inserting after paragraph (6) the following:~~

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

~~"(8) the plan of such applicant to meet the needs of children with disabilities;"; and~~

~~(4) by striking subsection (c) and inserting the following:~~

~~"(c) If no agency in the community receives priority designation, and there is no qualified applicant in the community, the Secretary shall designate an agency to carry out the Head Start program in the community on an interim basis until a qualified applicant from the community is so designated.".~~

~~SEC. 109. QUALITY STANDARDS.~~

~~(a) QUALITY STANDARDS.—Section 641A(a) (42 U.S.C. 9836a(a)) is amended—~~

~~(1) in paragraph (1)—~~

~~(A) in the matter preceding subparagraph (A), by inserting ", including minimum levels of overall accomplishment," after "regulation standards";~~

~~(B) in subparagraph (A), by striking "education,";~~

~~(C) by redesignating subparagraphs (B) through (D) as subparagraphs (C) through (E); and~~

~~(D) by inserting after subparagraph (A) the following:~~

~~"(B)(i) education performance standards to ensure the school readiness of children participating in a Head Start program, on completion of the Head Start program and prior to entering school; and~~

~~"(ii) additional education performance standards to ensure that the children participating in the program, at a minimum—~~

~~"(I) develop phonemic, print, and numeracy awareness;~~

~~"(II) understand and use oral language to communicate needs, wants, and thoughts;~~

~~"(III) understand and use increasingly complex and varied vocabulary;~~

~~"(IV) develop and demonstrate an appreciation of books; and~~

~~"(V) in the case of non-English background children, progress toward acquisition of the English language.";~~

~~(2) by striking paragraph (2);~~

~~(3) by redesignating paragraphs (3) and (4) as paragraphs (2) and (3); and~~

~~(4) in paragraph (2) (as redesignated in paragraph (3))—~~

~~(A) in subparagraph (B)(iii), striking "child" and inserting "early childhood education and"; and~~

~~(B) in subparagraph (C)—~~

~~(i) in clause (i)—~~

~~(I) by striking "not later than 1 year after the date of enactment of this section,"; and~~

~~(II) by striking "section 651(b)" and all that follows and inserting "this subsection; and"; and~~

~~(ii) in subclause (ii), by striking "November 2, 1978" and inserting "the date of enactment of the Human Services Reauthorization Act of 1998".~~

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

~~(1) in the subsection heading, by inserting "OUTCOME-BASED" before "PERFORMANCE";~~

~~(2) in paragraph (1)—~~

~~(A) by striking "Not later than 1 year after the date of enactment of this section, the" and inserting "The";~~

~~(B) by striking "child" and inserting "early childhood education and";~~

~~(C) by striking the period and inserting ", and the impact of the services provided through the programs to children and their families."; and~~

~~(D) by adding at the end the following: "The performance measures shall include the performance standards described in subsection (a)(1)(B)(ii)."; and~~

~~(3) in paragraph (2)—~~

~~(A) in the paragraph heading, by striking "DESIGN" and inserting "CHARACTERISTICS";~~

~~(B) in the matter preceding subparagraph (A), by striking "shall be designed—" and inserting "shall—";~~

~~(C) in subparagraph (A), by striking "to assess" and insert "assess the impact of";~~

~~(D) in subparagraph (B)—~~

~~(i) by striking "to"; and~~

~~(ii) by striking "and peer review" and inserting ", peer review, and program evaluation"; and~~

~~(E) in subparagraph (C), by inserting "be developed" before "for other".~~

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

~~(1) in subparagraph (B), by striking "; and" and inserting a semicolon;~~

~~(2) in subparagraph (C)—~~

~~(A) by inserting "(including children with disabilities)" after "eligible children"; and~~

~~(B) by striking the period and inserting "; and"; and~~

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

~~"(D) as part of the reviews of the programs, include a review and assessment of program effectiveness, as measured in accordance with the outcome-based performance measures developed pursuant to subsection (b) and with the performance standards established pursuant to subparagraphs (A) and (B) of subsection (a)(1).".~~

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

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

~~"(B) with respect to each identified deficiency, require the agency—~~

~~"(i) to correct the deficiency immediately, if the Secretary finds that the deficiency threatens the health or safety of staff or program participants or poses a threat to the integrity of Federal funds;~~

~~"(ii) to correct the deficiency not later than 90 days after the identification of the deficiency if the Secretary finds, in the discretion of the Secretary, that such a 90-day period is reasonable, in light of the nature and magnitude of the deficiency; or~~

~~"(iii) in the discretion of the Secretary (taking into consideration the seriousness of the deficiency and the time reasonably required to correct the deficiency) to comply with the requirements of paragraph (2) concerning a quality improvement plan; and"; and~~

~~(2) in paragraph (2)(A), in the matter preceding clause (i), by striking "immediately" and insert-~~

~~ing "immediately or during a 90-day period under clause (i) or (ii) of paragraph (1)(B)".~~

~~SEC. 110. POWERS AND FUNCTIONS OF HEAD START AGENCIES.~~

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

~~(1) in subsection (a), by inserting "or for-profit" after "nonprofit";~~

~~(2) in subsection (c)—~~

~~(A) by inserting "and collaborate" after "coordinate"; and~~

~~(B) by striking "section 402(g) of the Social Security Act, and other" and inserting "the State program carried out under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.), and other early childhood education and development"; and~~

~~(3) in subsection (d)—~~

~~(A) in paragraph (1)—~~

~~(i) by striking "shall carry out" and all that follows through "maintain" and inserting "shall take steps to ensure, to the maximum extent possible, that children maintain";~~

~~(ii) by striking "developmental" and inserting "developmental and educational"; and~~

~~(iii) by striking "to build" and inserting "build";~~

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

~~(C) by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively.~~

~~SEC. 111. HEAD START TRANSITION.~~

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

~~"SEC. 642A. HEAD START TRANSITION.~~

~~"Each Head Start agency shall take steps to coordinate with the local educational agency serving the community involved and with schools in which children participating in a Head Start program operated by such agency will enroll following such program, including—~~

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

~~"(2) establishing channels of communication between Head Start staff and their counterparts in the~~

~~schools (including teachers, social workers, and health staff) to facilitate coordination of programs;~~

~~"(3) conducting meetings involving parents, kindergarten or elementary school teachers, and Head Start program teachers to discuss the developmental and other needs of individual children;~~

~~"(4) organizing and participating in joint transition-related training of school staff and Head Start staff;~~

~~"(5) developing and implementing a family outreach and support program in cooperation with entities carrying out parental involvement efforts under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.); and~~

~~"(6) assisting families, administrators, and teachers in enhancing developmental continuity between Head Start services and elementary school classes.".~~

~~SEC. 112. SUBMISSION OF PLANS TO GOVERNORS.~~

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

~~(1) by striking "within 30 days" and inserting "within 45 days"; and~~

~~(2) by striking "so disapproved" and inserting "disapproved (for reasons other than failure of the~~

~~program to comply with State health, safety, and child care laws, including regulations, applicable to comparable child care programs within the State)''.~~

~~SEC. 113. PARTICIPATION IN HEAD START PROGRAMS.~~

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

~~(1) in subparagraph (B), by striking ''that programs'' and inserting ''that (i) programs''; and~~

~~(2) by striking the period at the end of subparagraph (B) and inserting the following: '', and (ii) a child who has been determined to meet the low-income criteria and who is participating in a Head Start program in a program year shall be considered to continue to meet the low-income criteria through the end of the succeeding program year. In determining, for purposes of this paragraph, whether a child who has applied for enrollment in a Head Start program meets the low-income criteria, an entity may consider evidence of family income during the 12 months preceding the month in which the application is submitted, or during the calendar year preceding the calendar year in which the application is submitted, whichever more accurately reflects the needs of the family at the time of application.''.~~

~~(b) SLIDING FEE SCALE.—Section 645(b) (42 U.S.C. 9840(b)) is amended by adding at the end the following:~~

~~"A Head Start agency that provides a Head Start program with full-working-day services in collaboration with other agencies or entities may collect a family copayment to support extended day services if a copayment is required in conjunction with the partnership. The copayment shall not exceed the copayment charged to families with similar incomes and circumstances who are receiving the services through participation in a program carried out by another agency or entity.".~~

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

~~SEC. 114. EARLY HEAD START PROGRAMS FOR FAMILIES WITH INFANTS AND TODDLERS.~~

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

~~(1) in the section heading, by inserting "**EARLY HEAD START**" before "**PROGRAMS FOR**";~~

~~(2) in subsection (a)—~~

~~(A) by striking "for—" and all that follows through "programs providing" and inserting "for programs providing";~~

~~(B) by striking "; and" and inserting a period; and~~

~~(C) by striking paragraph (2);~~

~~(3) in subsection (b)(5), by inserting "(including programs for infants and toddlers with disabilities)" after "community";~~

~~(4) in subsection (c)—~~

~~(A) in the matter preceding paragraph (1), by striking "subsection (a)(1)" and inserting "subsection (a)"; and~~

~~(B) in paragraph (2), by striking "3 (or under" and all that follows and inserting "3,";~~

~~(5) in subsection (d)—~~

~~(A) by striking paragraph (2); and~~

~~(B) by redesignating paragraph (3) as paragraph (2);~~

~~(6) by striking subsection (e);~~

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

~~(8) in subsection (e) (as redesignated in paragraph (7))—~~

~~(A) in the subsection heading, by striking "OTHER"; and~~

~~(B) by striking "From the balance remaining of the portion specified in section 640(a)(6), after making grants to the eligible entities specified in subsection (e)," and inserting "From the portion specified in section 640(a)(6),"; and~~

~~(9) by striking subsection (h) and inserting the following:~~

~~"(h) MONITORING, TRAINING, TECHNICAL ASSISTANCE, AND EVALUATION.—In order to ensure the successful operation of programs assisted under this section, the Secretary shall use funds from the portion specified in section 640(a)(6) to monitor the operation of such programs, evaluate their effectiveness, and provide training and technical assistance tailored to the particular needs of such programs.~~

~~"(i) TRAINING AND TECHNICAL ASSISTANCE ACCOUNT.—~~

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

~~"(2) ACTIVITIES.—Funds in the account may be used for purposes including—~~

~~"(A) making grants to, and entering into contracts with, organizations with specialized expertise relating to infants, toddlers, and families and the capacity needed to provide direction and support to a national training and technical assistance system, in order to provide such direction and support;~~

~~"(B) providing ongoing training and technical assistance for regional and program staff charged with monitoring and overseeing the administration of the program carried out under this section;~~

~~"(C) providing ongoing training and technical assistance for existing recipients of grants under subsection (a) and support and program planning and implementation assistance for new recipients of such grants; and~~

~~"(D) providing professional development and personnel enhancement activities, including the provision of funds to recipients of grants under subsection (a) for the recruitment and retention of qualified staff with an appropriate level of education and experience.".~~

~~SEC. 115. TECHNICAL ASSISTANCE AND TRAINING.~~

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

~~(1) in paragraph (1), by striking "; and" and inserting a semicolon;~~

~~(2) in paragraph (2), by striking the period and inserting "; and"; and~~

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

~~"(3) ensure the provision of technical assistance to assist Head Start agencies, entities carrying out other child care and early childhood programs, communities, and States in collaborative efforts to provide quality full-working-day, full calendar year services, including technical assistance related to identifying and assisting in resolving barriers to collaboration.".~~

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

~~(1) in paragraph (4)—~~

~~(A) by striking "developing" and inserting "developing and implementing"; and~~

~~(B) by striking "a longer day;" and inserting the following: "the day, and assist the agencies and programs in expediting the sharing of information about innovative models for provid-~~

~~ing full-working-day, full calendar year services for children;'';~~

~~(2) in paragraph (7), by striking ''; and'' and inserting a semicolon;~~

~~(3) in paragraph (8), by striking the period and inserting ''; and''; and~~

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

~~''(9) assist Head Start agencies in—~~

~~''(A) ensuring the school readiness of children; and~~

~~''(B) meeting the education performance standards described in this subchapter.''.~~

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

~~SEC. 116. STAFF QUALIFICATIONS AND DEVELOPMENT.~~

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

~~(1) in paragraph (1)—~~

~~(A) by redesignating subparagraphs (B) through (D) as clauses (ii) through (iv), respectively;~~

~~(B) by striking ''(A)'' and inserting ''(B)(i)'';~~

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

~~"(A) demonstrated competency to perform functions that include—~~

~~"(i) planning and implementing learning experiences that advance the intellectual and physical development of children, including improving the readiness of children for school by developing their literacy and phonemic, print, and numeracy awareness, their understanding and use of oral language, their understanding and use of increasingly complex and varied vocabulary, their appreciation of books, and their problem solving abilities;~~

~~"(ii) establishing and maintaining a safe, healthy learning environment;~~

~~"(iii) supporting the social and emotional development of children; and~~

~~"(iv) encouraging the involvement of the families of the children in a Head Start program and supporting the development of relationships between children and their families; and"; and~~

~~(2) by striking paragraph (2) and inserting the following:~~

~~"(2) WAIVER.—On request, the Secretary shall grant a 180-day waiver of the requirements of paragraph (1)(B), for a Head Start agency that can demonstrate that the agency has unsuccessfully attempted to recruit an individual who has a credential, certificate, or degree described in paragraph (1)(B), with respect to an individual who—~~

~~"(A) is enrolled in a program that grants any such credential, certificate, or degree; and~~

~~"(B) will receive such credential, certificate, or degree under the terms of such program not later than 180 days after beginning employment as a teacher with such agency.".~~

~~SEC. 117. RESEARCH, DEMONSTRATION, AND EVALUATION.~~

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

~~(1) in paragraph (6), by striking "; and" and inserting a semicolon;~~

~~(2) in paragraph (7), by striking the period and inserting "; and"; and~~

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

~~"(8) study the experiences of small, medium, and large States with Head Start programs in order~~

~~to permit comparisons of children participating in the programs with eligible children who did not participate in the programs, which study—~~

~~"(A) may include the use of a data set that existed prior to the initiation of the study; and~~

~~"(B) shall compare the educational achievement, social adaptation, and health status of the participating children and the eligible nonparticipating children.~~

~~The Secretary shall ensure that an appropriate entity carries out a study described in paragraph (8), and prepares and submits to the appropriate committees of Congress a report containing the results of the study, not later than September 30, 2002.".~~

~~(b) NATIONAL RESEARCH.—Section 649 (42 U.S.C. 9844) is amended by inserting after subsection (e) the following:~~

~~"(f) NATIONAL HEAD START IMPACT RESEARCH.—~~

~~"(1) EXPERT PANEL.—~~

~~"(A) IN GENERAL.—The Secretary shall appoint an independent panel consisting of experts in program evaluation and research, education, and early childhood programs—~~

~~"(i) to review, and make recommendations on, the design and plan for the research (whether conducted as a single assessment or as a series of assessments), described in paragraph (2), within 1 year after the date of enactment of the Human Services Reauthorization Act of 1998;~~

~~"(ii) to maintain and advise the Secretary regarding the progress of the research; and~~

~~"(iii) to comment, if the panel so desires, on the interim and final research reports submitted under paragraph (7).~~

~~"(B) TRAVEL EXPENSES.—The members of the panel shall not receive compensation for the performance of services for the panel, but shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the panel. Notwithstanding section 1342 of title 31, United States Code, the Secretary may accept~~

the voluntary and uncompensated services of members of the panel.

"(2) GENERAL AUTHORITY.—After reviewing the recommendations of the expert panel the Secretary shall enter into a grant, contract, or cooperative agreement with an organization to conduct independent research that provides a national analysis of the impact of Head Start programs. The Secretary shall ensure that the organization shall have expertise in program evaluation, and research, education, and early childhood programs.

"(3) DESIGNS AND TECHNIQUES.—The Secretary shall ensure that the research uses rigorous methodological designs and techniques (based on the recommendations of the expert panel), including longitudinal designs, control groups, nationally recognized standardized measures, and random selection and assignment, as appropriate. The Secretary may provide that the research shall be conducted as a single comprehensive assessment or as a group of coordinated assessments designed to provide, when taken together, a national analysis of the impact of Head Start programs.

"(4) PROGRAMS.—The Secretary shall ensure that the research focuses primarily on Head Start

~~programs that operate in the 50 States, the Commonwealth of Puerto Rico, or the District of Columbia and that do not specifically target special populations.~~

~~"(5) ANALYSIS.—The Secretary shall ensure that the organization conducting the research—~~

~~"(A)(i) determines if, overall, the Head Start programs have impacts consistent with their primary goal of increasing the social competence of children, by increasing the everyday effectiveness of the children in dealing with their present environments and future responsibilities, and increasing their school readiness;~~

~~"(ii) considers whether the Head Start programs—~~

~~"(I) enhance the growth and development of children in cognitive, emotional, and physical health areas;~~

~~"(II) strengthen families as the primary nurturers of their children; and~~

~~"(III) ensure that children attain school readiness; and~~

~~"(iii) examines—~~

~~"(I) the impact of the Head Start programs on increasing access of children~~

~~to such services as educational, health, and nutritional services, and linking children and families to needed community services; and~~

~~"(II) how receipt of services described in subclause (I) enriches the lives of children and families participating in Head Start programs;~~

~~"(B) examines the impact of Head Start programs on participants on the date the participants leave Head Start programs, at the end of kindergarten, and at the end of first grade, by examining a variety of factors, including educational achievement, referrals for special education or remedial course work, and absenteeism;~~

~~"(C) makes use of random selection from the population of all Head Start programs described in paragraph (4) in selecting programs for inclusion in the research; and~~

~~"(D) includes comparisons of individuals who participate in Head Start programs with control groups (including comparison groups) composed of—~~

~~"(i) individuals who participate in other early childhood programs (such as preschool programs and day care); and~~

~~"(ii) individuals who do not participate in any other early childhood program.~~

~~"(6) CONSIDERATION OF SOURCES OF VARIATION.—In designing the research, the Secretary shall, to the extent practicable, consider addressing possible sources of variation in impact of Head Start programs, including variations in impact related to such factors as—~~

~~"(A) Head Start program operations;~~

~~"(B) Head Start program quality;~~

~~"(C) the length of time a child attends a Head Start program;~~

~~"(D) the age of the child on entering the Head Start program;~~

~~"(E) the type of organization (such as a local educational agency or a community action agency) providing services for the Head Start program;~~

~~"(F) the number of hours and days of program operation of the Head Start program (such as whether the program is a full-working-~~

~~day, full calendar year program, a part-day program, or a part-year program); and~~

~~"(G) other characteristics and features of the Head Start program (such as geographic location, location in an urban or a rural service area, or participant characteristics), as appropriate.~~

~~"(7) REPORTS.—~~

~~"(A) SUBMISSION OF INTERIM REPORTS.—~~ ~~The organization shall prepare and submit to the Secretary 2 interim reports on the research. The first interim report shall describe the design of the research, and the rationale for the design, including a description of how potential sources of variation in impact of Head Start programs have been considered in designing the research. The second interim report shall describe the status of the research and preliminary findings of the research, as appropriate.~~

~~"(B) SUBMISSION OF FINAL REPORT.—~~ ~~The organization shall prepare and submit to the Secretary a final report containing the findings of the research.~~

~~"(C) TRANSMITTAL OF REPORTS TO CONGRESS.—~~

~~"(i) IN GENERAL.—The Secretary shall transmit, to the committees described in clause (ii), the first interim report by September 30, 1999, the second interim report by September 30, 2001, and the final report by September 30, 2003.~~

~~"(ii) COMMITTEES.—The committees referred to in clause (i) are the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate.~~

~~"(8) DEFINITION.—In this subsection, the term 'impact', used with respect to a Head Start program, means a difference in an outcome for a participant in the program that would not have occurred without the participation in the program.~~

~~"(g) QUALITY IMPROVEMENT STUDY.~~

~~"(1) STUDY.—The Secretary shall conduct a study regarding the use and effects of use of the quality improvement funds made available under section 640(a)(3) of the Head Start Act (42 U.S.C. 9835(a)(3)) since fiscal year 1991.~~

~~"(2) REPORT.—The Secretary shall prepare and submit to Congress not later than September~~

~~2000 a report containing the results of the study, including—~~

~~"(A) the types of activities funded with the quality improvement funds;~~

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

~~"(C) the effect of use of the quality improvement funds on teacher training, salaries, benefits, recruitment, and retention; and~~

~~"(D) the effect of use of the quality improvement funds on the cognitive and social development of children receiving services under the this subchapter.".~~

~~(b) CONFORMING AMENDMENT.—Section 650(13) (42 U.S.C. 9846(13)) is amended by striking ", demonstration,".~~

~~TITLE II—COMMUNITY SERVICES BLOCK GRANT PROGRAM~~

~~SEC. 201. REAUTHORIZATION.~~

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

~~"Subtitle B—Community Services Block Grant Program~~

~~"SEC. 671. SHORT TITLE.~~

~~''This subtitle may be cited as the 'Community Services Block Grant Act'.~~

~~"SEC. 672. PURPOSES AND GOALS.~~

~~''The purposes of this subtitle are—~~

~~''(1) to provide financial assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient (particularly families who are attempting to transition off a State program carried out under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.));~~

~~''(2) to accomplish the goal described in paragraph (1) through—~~

~~''(A) the strengthening of community capabilities for planning and coordinating the use of a broad range of Federal, State, and other assistance related to the elimination of poverty, so~~

~~that this assistance can be used in a manner responsive to local needs and conditions;~~

~~"(B) the organization of a range of services related to the needs of low-income families and individuals, so that these services may have a measurable and potentially major impact on the causes of poverty in the community and may help the families and individuals to achieve self-sufficiency;~~

~~"(C) the use of innovative and effective, community-based approaches to attacking the causes and effects of poverty and of community breakdown;~~

~~"(D) the development and implementation of all programs designated to serve low-income communities and groups with the maximum feasible participation of residents of the communities and members of the groups served, so as to best stimulate and take full advantage of capabilities for self-advancement and assure that the programs are otherwise meaningful to the intended beneficiaries of the programs; and~~

~~"(E) the broadening of the resource base of programs directed to the elimination of poverty.~~

~~"SEC. 673. DEFINITIONS.~~

~~"In this subtitle:~~

~~"(1) ELIGIBLE ENTITY.—The term 'eligible entity' means an entity—~~

~~"(A) that is an eligible entity described in section 673(1) (as in effect on the day before the date of enactment of the Human Services Reauthorization Act of 1998) as of such date of enactment or is designated by the process described in section 676A (including an organization serving migrant or seasonal farmworkers that is so described or designated); and~~

~~"(B) that has a tripartite board or other mechanism described in subsection (a) or (b), as appropriate, of section 676B.~~

~~"(2) POVERTY LINE.—The term 'poverty line' means the official poverty line defined by the Secretary. The Secretary shall revise the poverty line annually (or at any shorter interval the Secretary determines to be feasible and desirable) which shall be used as a criterion of eligibility in the community services block grant program established under this subtitle. The required revision shall be accomplished by multiplying the official poverty line by the percentage change in the Consumer Price Index for All Urban Consumers during the annual or other inter-~~

val immediately preceding the time at which the revision is made. Whenever a State determines that it serves the objectives of the block grant program established under this subtitle, the State may revise the poverty line to not to exceed 125 percent of the official poverty line otherwise applicable under this paragraph.

"(3) PRIVATE, NONPROFIT ORGANIZATION.—The term 'private, nonprofit organization' includes a faith-based organization, to which the provisions of section 679 shall apply.

"(4) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

"(5) STATE.—The term 'State' means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the United States Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, and the combined Freely Associated States.

"SEC. 674. AUTHORIZATION OF APPROPRIATIONS.

"(a) IN GENERAL.—There are authorized to be appropriated $625,000,000 for fiscal year 1999 and such sums as may be necessary for each of fiscal years 2000 through 2003 to carry out the provisions of this subtitle (other than sections 681 and 682).

1 ~~"(b) RESERVATIONS.—Of the amounts appropriated~~
2 ~~under subsection (a) for each fiscal year, the Secretary~~
3 ~~shall reserve—~~
4 ~~"(1) ½ of 1 percent for carrying out section~~
5 ~~675A (relating to payments for territories);~~
6 ~~"(2) not less than ½ of 1 percent and not more~~
7 ~~than 1 percent for activities authorized in section~~
8 ~~678A (relating to training and technical assistance);~~
9 ~~and~~
10 ~~"(3) 9 percent for carrying out section 680 (re-~~
11 ~~lating to discretionary activities).~~
12 **~~"SEC. 675. ESTABLISHMENT OF BLOCK GRANT PROGRAM.~~**
13 ~~"The Secretary is authorized to establish a commu-~~
14 ~~nity services block grant program and make grants~~
15 ~~through the program to States to ameliorate the causes~~
16 ~~of poverty in communities within the States.~~
17 **~~"SEC. 675A. DISTRIBUTION TO TERRITORIES.~~**
18 ~~"(a) APPORTIONMENT.—The Secretary shall appor-~~
19 ~~tion the amount reserved under section 674(b)(1) for each~~
20 ~~fiscal year on the basis of need among Guam, American~~
21 ~~Samoa, the United States Virgin Islands, the Common-~~
22 ~~wealth of the Northern Mariana Islands, and the combined~~
23 ~~Freely Associated States.~~
24 ~~"(b) APPLICATION.—Each jurisdiction to which sub-~~
25 ~~section (a) applies may receive a grant under this subtitle~~

~~for the amount apportioned under subsection (a) on submitting to the Secretary, and obtaining approval of, an application containing provisions that describe the programs for which assistance is sought under this subtitle, and that are consistent with the requirements of section 676.~~

~~"SEC. 675B. ALLOTMENTS AND PAYMENTS TO STATES.~~

~~"(a) ALLOTMENTS IN GENERAL.—The Secretary shall, from the amount appropriated under section 674(a) for each fiscal year that remains after the Secretary makes the reservations required in section 674(b), allot to each State an amount that bears the same ratio to such remaining amount as the amount received by the State for fiscal year 1981 under section 221 of the Economic Opportunity Act of 1964 bore to the total amount received by all States for fiscal year 1981 under such section, except that no State shall receive less than ¼ of 1 percent of the amount appropriated under section 674(a) for such fiscal year.~~

~~"(b) ALLOTMENTS IN YEARS WITH GREATER AVAILABLE FUNDS.—~~

~~"(1) MINIMUM ALLOTMENTS.—Subject to paragraphs (2) and (3), if the amount appropriated under section 674(a) for each fiscal year that remains after the Secretary makes the reservations required in section 674(b) exceeds $345,000,000, the~~

~~Secretary shall allot to each State not less than ½ of 1 percent of the amount appropriated under section 674(a) for such fiscal year.~~

~~"(2) MAINTENANCE OF 1990 LEVELS.—Paragraph (1) shall not apply with respect to a fiscal year if the amount allotted under subsection (a) to any State for that year is less than the amount allotted under section 674(a)(1) to such State for fiscal year 1990.~~

~~"(3) MAXIMUM ALLOTMENTS.—The amount allotted under paragraph (1) to a State shall be reduced, if necessary, so that the aggregate amount allotted to such State under such paragraph and subsection (a) does not exceed 140 percent of the aggregate amount allotted to such State under the corresponding provisions of this subtitle for the fiscal year preceding the fiscal year for which a determination is made under this subsection.~~

~~"(c) PAYMENTS.—The Secretary shall make grants to eligible States for the allotments described in subsections (a) and (b). The Secretary shall make payments for the grants in accordance with section 6503(a) of title 31, United States Code.~~

~~"(d) DEFINITION.—For purposes of this section, the term 'State' does not include Guam, American Samoa, the~~

~~United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States.~~

~~"SEC. 675C. USES OF FUNDS.~~

~~"(a) GRANTS TO ELIGIBLE ENTITIES AND OTHER ORGANIZATIONS.—~~

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

~~"(2) OBLIGATIONAL AUTHORITY.—Funds distributed to eligible entities through grants made in accordance with paragraph (1) for a fiscal year shall be available for obligation during that fiscal year and the succeeding fiscal year, in accordance with paragraph (3).~~

~~"(3) RECAPTURE AND REDISTRIBUTION OF UNOBLIGATED FUNDS.—~~

~~"(A) AMOUNT.—Beginning on October 1, 2000, a State may recapture and redistribute funds distributed to an eligible entity through a grant made under paragraph (1) that are unobligated at the end of a fiscal year if such unobligated funds exceed 20 percent of the amount so~~

~~distributed to such eligible entity for such fiscal year.~~

~~"(B) REDISTRIBUTION.—In redistributing funds recaptured in accordance with this paragraph, States shall redistribute such funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of this subtitle.~~

~~"(b) OTHER ACTIVITIES.—~~

~~"(1) USE OF REMAINDER.—If a State uses less than 100 percent of the State allotment to make grants under subsection (a), the State shall use the remainder of the allotment (subject to paragraph (2)) for—~~

~~"(A) providing training and technical assistance to those entities in need of such training and assistance;~~

~~"(B) coordinating State-operated programs and services targeted to low-income children and families with services provided by eligible entities and other organizations funded under this subtitle, including detailing appropriate~~

~~employees of State or local agencies to entities funded under this subtitle, to ensure increased access to services provided by such State or local agencies;~~

~~"(C) supporting statewide coordination and communication among eligible entities;~~

~~"(D) analyzing the distribution of funds made available under this subtitle within the State to determine if such funds have been targeted to the areas of greatest need;~~

~~"(E) supporting asset-building programs for low-income individuals, such as programs supporting individual development accounts;~~

~~"(F) supporting innovative programs and activities conducted by community action agencies or other neighborhood-based organizations to eliminate poverty, promote self-sufficiency, and promote community revitalization; and~~

~~"(G) supporting other activities, consistent with the purposes of this subtitle.~~

~~"(2) ADMINISTRATIVE CAP.—No State may spend more than the greater of $55,000, or 5 percent, of the portion of the State allotment that remains after the State makes grants to eligible entities under subsection (a), for administrative ex-~~

~~penses, including monitoring activities. The cost of activities conducted under paragraph (1)(A) shall not be considered to be administrative expenses.~~

~~"SEC. 676. APPLICATION AND PLAN.~~

~~"(a) DESIGNATION OF LEAD AGENCY.—~~

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

~~"(2) DUTIES.—The lead agency shall—~~

~~"(A) develop the State plan to be submitted to the Secretary under subsection (b);~~

~~"(B) in conjunction with the development of the State plan as required under subsection (b), hold at least 1 hearing in the State with sufficient time and statewide distribution of notice of such hearing, to provide to the public an opportunity to comment on the proposed use and distribution of funds to be provided through the allotment for the period covered by the State plan; and~~

~~"(C) conduct reviews of eligible entities under section 678B.~~

~~"(3) LEGISLATIVE HEARING.—The State shall hold at least 1 legislative hearing every 3 years in conjunction with the development of the State plan.~~

~~"(b) STATE APPLICATION AND PLAN.—Beginning with fiscal year 2000, to be eligible to receive an allotment under this subtitle, a State shall prepare and submit to the Secretary an application and State plan covering a period of not less than 1 fiscal year and not more than 2 fiscal years. The plan shall be submitted not later than 30 days prior to the beginning of the first fiscal year covered by the plan, and shall contain such information as the Secretary shall require, including—~~

~~"(1) an assurance that funds made available through the allotment will be used to support activities that are designed to assist low-income families and individuals, including homeless families and individuals, migrant or seasonal farmworkers, and elderly low-income individuals and families, and a description of how such activities will enable the families and individuals—~~

~~"(A) to remove obstacles and solve problems that block the achievement of self-sufficiency;~~

~~"(B) to secure and retain meaningful employment;~~

~~"(C) to attain an adequate education;~~

~~"(D) to make better use of available income;~~

~~"(E) to obtain and maintain adequate housing and a suitable living environment;~~

~~"(F) to obtain emergency assistance through loans, grants, or other means to meet immediate and urgent individual and family needs;~~

~~"(G) to achieve greater participation in the affairs of the community; and~~

~~"(H) to make more effective use of other programs related to the purposes of this subtitle (including State welfare reform efforts);~~

~~"(2) a description of how the State intends to use discretionary funds made available from the remainder of the allotment described in section 675C(b) in accordance with this subtitle, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of this subtitle;~~

~~"(3) based on information provided by eligible entities in the State, a description of—~~

~~"(A) the service delivery system, for services provided or coordinated with funds made available through the allotment, targeted to low-income individuals and families in communities within the State;~~

~~"(B) a description of how linkages will be developed to fill identified gaps in the services, through the provision of information, referrals, case management, and followup consultations;~~

~~"(C) a description of how funds made available through the allotment will be coordinated with other public and private resources; and~~

~~"(D) a description of how the funds will be used to support innovative community and neighborhood-based initiatives related to the purposes of this subtitle;~~

~~"(4) an assurance that the State will provide, on an emergency basis, for the provision of such supplies and services, nutritious foods, and related services, as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals;~~

~~"(5) an assurance that the State will coordinate, and establish linkages between, governmental~~

~~and other social services programs to assure the effective delivery of such services to low-income individuals;~~

~~"(6) an assurance that the State will ensure coordination between antipoverty programs in each community, and ensure, where appropriate, that emergency energy crisis intervention programs under title XXVI (relating to low-income home energy assistance) are conducted in such community;~~

~~"(7) an assurance that the State will permit and cooperate with Federal investigations undertaken in accordance with section 678D;~~

~~"(8) an assurance that any eligible entity that received funding in the previous fiscal year under this subtitle will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction, subject to review by the Secretary as provided in section 678C(b);~~

~~"(9) an assurance that the State will, to the maximum extent possible, coordinate programs with and form partnerships with other organizations serv-~~

~~ing low-income residents of the communities and members of the groups served by the State, including faith-based organizations, charitable groups, and community organizations;~~

~~"(10) an assurance that the State will require each eligible entity to establish procedures under which a low-income individual, community organization, or faith-based organization, or representative of low-income individuals that considers its organization, or low-income individuals, to be inadequately represented on the board (or other mechanism) of the eligible entity to petition for adequate representation;~~

~~"(11) an assurance that the State will secure from each eligible entity, as a condition to receipt of funding by the entity under this subtitle for a program, a community action plan (which shall be submitted to the Secretary, at the request of the Secretary, with the State plan) that includes a community-needs assessment for the community served, which may be coordinated with community-needs assessments conducted for other programs;~~

~~"(12) an assurance that the State and all eligible entities in the State will, not later than fiscal year 2002, participate in the Results Oriented Man-~~

~~agement and Accountability System, any other performance measure system established by the Secretary under section 678E(b), or an alternative system for measuring performance and results that meets the requirements of that section, and a description of outcome measures to be used to measure eligible entity performance in promoting self-sufficiency, family stability, and community revitalization; and~~

~~"(13) information describing how the State will carry out the assurances described in this subsection.~~

~~"(c) DETERMINATIONS.—For purposes of making a determination in accordance with subsection (b)(8) with respect to—~~

~~"(1) a funding reduction, the term 'cause' includes—~~

~~"(A) a statewide redistribution of funds provided under this subtitle to respond to—~~

~~"(i) the results of the most recently available census or other appropriate data;~~

~~"(ii) the designation of a new eligible entity; or~~

~~"(iii) severe economic dislocation; or~~

~~"(B) the failure of an eligible entity to comply with the terms of an agreement to provide services under this subtitle; and~~

~~"(2) a termination, the term 'cause' includes the material failure of an eligible entity to comply with the terms of such an agreement and the State plan to provide services under this subtitle or the consistent failure of the entity to achieve performance measures as determined by the State.~~

~~"(d) PROCEDURES AND INFORMATION.—The Secretary may prescribe procedures only for the purpose of assessing the effectiveness of eligible entities in carrying out the purposes of this subtitle.~~

~~"(e) REVISIONS AND INSPECTION.—~~

~~"(1) REVISIONS.—The chief executive officer of each State may revise any plan prepared under this section and shall submit the revised plan to the Secretary.~~

~~"(2) PUBLIC INSPECTION.—Each plan or revised plan prepared under this section shall be made available for public inspection within the State in such a manner as will facilitate review of, and comment on, the plan.~~

~~"SEC. 676A. DESIGNATION AND REDESIGNATION OF ELIGIBLE ENTITIES IN UNSERVED AREAS.~~

~~"(a) QUALIFIED ORGANIZATION IN OR NEAR AREA.—~~

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

~~"(A) private nonprofit organizations geographically located in the unserved area that meet the requirements of this subtitle; or~~

~~"(B) private nonprofit organizations (which may include eligible entities) located in an area contiguous to or within reasonable proximity of the unserved area that are already providing related services in the unserved area.~~

~~"(2) REQUIREMENT.—In order to serve as the eligible entity for the area, an entity described in paragraph (1)(B) shall agree to add additional members to the board of the entity to ensure adequate representation—~~

~~"(A) in each of the 3 required categories described in subparagraphs (A), (B), and (C) of section 676B(a)(2), by members that reside in~~

~~the community comprised by the unserved area; and~~

~~"(B) in the category described in section 676B(a)(2), by members that reside in the neighborhood served.~~

~~"(b) SPECIAL CONSIDERATION.—In designating an eligible entity under subsection (a), the chief executive officer shall grant the designation to an organization of demonstrated effectiveness in meeting the goals and purposes of this subtitle and may give priority, in granting the designation, to local entities that are providing services in the unserved area, consistent with the needs identified by a community-needs assessment.~~

~~"(c) NO QUALIFIED ORGANIZATION IN OR NEAR AREA.—If no private, nonprofit organization is identified or determined to be qualified under subsection (a) to serve the unserved area as an eligible entity the chief executive officer may designate an appropriate political subdivision of the State to serve as an eligible entity for the area. In order to serve as the eligible entity for that area, the political subdivision shall have a board or other mechanism as required in section 676B(b).~~

~~"SEC. 676B. TRIPARTITE BOARDS.~~

~~"(a) PRIVATE NONPROFIT ENTITIES.—~~

~~"(1) BOARD.—In order for a private, nonprofit entity to be considered to be an eligible entity for purposes of section 673(1), the entity shall administer the community services block grant program through a tripartite board described in paragraph (2) that fully participates in the development and implementation of the program to serve low-income communities or groups.~~

~~"(2) SELECTION AND COMPOSITION OF BOARD.—The members of the board referred to in paragraph (1) shall be selected by the entity and the board shall be composed so as to assure that—~~

~~"(A) ⅓ of the members of the board are elected public officials, holding office on the date of selection, or their representatives, except that if the number of elected officials reasonably available and willing to serve on the board is less than ⅓ of the membership of the board, membership on the board of appointive public officials or their representatives may be counted in meeting such ⅓ requirement;~~

~~"(B) not fewer than ⅓ of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income~~

~~individuals and families in the neighborhood served;~~

~~"(C) the remainder of the members are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served; and~~

~~"(D)(i) each member resides in the community; and~~

~~"(ii) each representative of low-income individuals and families selected to represent a specific neighborhood within a community under this paragraph resides in the neighborhood represented by the member.~~

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

~~"(1) a tripartite board, which shall have members selected by the organization and shall be composed so as to assure that not fewer than ⅓ of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members—~~

~~"(A) are representative of low-income individuals and families in the neighborhood served;~~

~~"(B) reside in the neighborhood served; and~~

~~"(C) are able to participate actively in the planning and implementation of programs funded under this subtitle; or~~

~~"(2) another mechanism specified by the State to assure decisionmaking and participation by low-income individuals in the planning, administration, and evaluation of programs funded under this subtitle.~~

~~"SEC. 677. PAYMENTS TO INDIAN TRIBES.~~

~~"(a) RESERVATION.—If, with respect to any State, the Secretary—~~

~~"(1) receives a request from the governing body of an Indian tribe or tribal organization within the State that assistance under this subtitle be made directly to such tribe or organization; and~~

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

~~the Secretary shall reserve from amounts that would otherwise be allotted to such State under section 675B for~~

~~the fiscal year the amount determined under subsection (b).~~

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

~~"(c) AWARDS.—The sums reserved by the Secretary on the basis of a determination made under subsection (a) shall be made available by grant to the Indian tribe or tribal organization serving the individuals for whom such a determination has been made.~~

~~"(d) PLAN.—In order for an Indian tribe or tribal organization to be eligible for a grant award for a fiscal year under this section, the tribe or organization shall submit to the Secretary a plan for such fiscal year that meets such criteria as the Secretary may prescribe by regulation.~~

~~"(e) DEFINITIONS.—In this section:~~

~~"(1) INDIAN TRIBE; TRIBAL ORGANIZATION.—The terms 'Indian tribe' and 'tribal organization' mean a tribe, band, or other organized group recog-~~

~~nized in the State in which the tribe, band, or group resides, or considered by the Secretary of the Interior, to be an Indian tribe or an Indian organization for any purpose.~~

~~"(2) INDIAN.—The term 'Indian' means a member of an Indian tribe or of a tribal organization.~~

~~"SEC. 678. OFFICE OF COMMUNITY SERVICES.~~

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

~~"(b) GRANTS, CONTRACTS, COOPERATIVE AGREEMENTS.—The Secretary shall carry out functions of this subtitle through grants, contracts, or cooperative agreements.~~

~~"SEC. 678A. TRAINING AND TECHNICAL ASSISTANCE.~~

~~"(a) ACTIVITIES.—The Secretary shall use the amounts reserved in section 674(b)(2) for training, technical assistance, planning, evaluation, and data collection activities related to programs carried out under this subtitle.~~

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

"(1) ensure that the needs of eligible entities and programs relating to improving program quality, including financial management practices, are addressed to the maximum extent feasible; and

"(2) incorporate mechanisms to ensure responsiveness to local needs, including an ongoing procedure for obtaining input from the national and State network of eligible entities.

"SEC. 678B. MONITORING OF ELIGIBLE ENTITIES.

"(a) IN GENERAL.—In order to determine whether eligible entities meet the performance goals, administrative standards, financial management requirements, and other requirements of a State, the State shall conduct the following reviews of eligible entities:

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

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

"(3) Followup reviews including prompt return visits to eligible entities, and their programs, that

~~fail to meet the goals, standards, and requirements established by the State.~~

~~"(4) Other reviews as appropriate, including reviews of entities with programs that have had other Federal, State, or local grants terminated for cause.~~

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

~~"SEC. 678C. CORRECTIVE ACTION; TERMINATION AND REDUCTION OF FUNDING.~~

~~"(a) DETERMINATION.—If the State determines, on the basis of a review pursuant to subsection 678B, that an eligible entity materially fails to comply with the terms of an agreement, or the State plan, to provide services under this subtitle or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the State shall—~~

~~"(1) inform the entity of the deficiency to be corrected;~~

~~"(2) require the entity to correct the deficiency;~~

~~"(3)(A) offer training and technical assistance, if appropriate, to help correct the deficiency, and prepare and submit to the Secretary a report describing the training and technical assistance offered; or~~

~~"(B) if the State determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination;~~

~~"(4)(A) at the discretion of the State (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), allow the entity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan to correct such deficiency within a reasonable period of time, as determined by the State; and~~

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

~~"(5) after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the funding under this subtitle of the eligible entity unless the entity corrects the deficiency.~~

~~"(b) REVIEW.—A determination to terminate the designation or reduce the funding of an eligible entity is reviewable by the Secretary. The Secretary shall, upon re-~~

quest, review such a determination. The review shall be completed not later than 60 days after the determination to terminate the designation or reduce the funding. If the review is not completed within 60 days, the determination of the State shall become final at the end of the 60th day.

"SEC. 678D. FISCAL CONTROLS, AUDITS, AND WITHHOLDING.

"(a) FISCAL CONTROLS, PROCEDURES, AUDITS, AND INSPECTIONS.—

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

"(A) establish fiscal control and fund accounting procedures necessary to assure the proper disbursal of and accounting for Federal funds paid to the State under this subtitle, including procedures for monitoring the funds provided under this subtitle;

"(B) ensure that cost and accounting standards of the Office of Management and Budget apply to a recipient of funds under this subtitle;

"(C) prepare, at least every year (or in the case of a State with a 2-year State plan, every 2 years) in accordance with paragraph (2) an audit of the expenditures of the State of

~~amounts received under this subtitle and amounts transferred to carry out the purposes of this subtitle; and~~

~~"(D) make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request for the items.~~

~~"(2) AUDITS.—Each audit required by subsection (a)(1)(C) shall be conducted by an entity independent of any agency administering activities or services carried out under this subtitle and shall be conducted in accordance with generally accepted accounting principles. Within 30 days after the completion of each such audit in a State, the chief executive officer of the State shall submit a copy of such audit to any eligible entity that was the subject of the audit at no charge, to the legislature of the State, and to the Secretary.~~

~~"(3) REPAYMENTS.—The State shall repay to the United States amounts found not to have been expended in accordance with this subtitle or the Sec-~~

~~retary may offset such amounts against any other amount to which the State is or may become entitled under this subtitle.~~

~~"(b) WITHHOLDING.—~~

~~"(1) IN GENERAL.—The Secretary shall, after providing adequate notice and an opportunity for a hearing conducted within the affected State, withhold funds from any State that does not utilize the State allotment substantially in accordance with the provisions of this subtitle, including the assurances such State provided under section 676.~~

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

~~"(3) INVESTIGATIONS.—Whenever the Secretary determines that there is a pattern of complaints of failures described in paragraph (2) from~~

any State in any fiscal year, the Secretary shall conduct an investigation of the use of funds received under this subtitle by such State in order to ensure compliance with the provisions of this subtitle.

"SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIREMENTS.

"(a) STATE ACCOUNTABILITY AND REPORTING REQUIREMENTS.—

"(1) PERFORMANCE MEASUREMENT.—

"(A) IN GENERAL.—By October 1, 2001, each State that receives funds under this subtitle shall participate, and shall ensure that all eligible entities in the State participate, in a performance measurement system, which may be a performance measurement system established by the Secretary pursuant to subsection (b), or an alternative system that meets the requirements of subsection (b).

"(B) LOCAL AGENCIES.—The State may elect to have local agencies who are subcontractors of the eligible entities under this subtitle participate in the performance measurement system. If the State makes that election, references in this section to eligible entities shall be considered to include the local agencies.

"(2) ANNUAL REPORT.—Each State shall annually prepare and submit to the Secretary a report on the measured performance of the State and the eligible entities in the State. Each State shall also include in the report an accounting of the expenditure of funds received by the State through the community services block grant program, including an accounting of funds spent on administrative costs by the State and the eligible entities, and funds spent by eligible entities on the direct delivery of local services, and shall include information on the number of and characteristics of clients served under this subtitle in the State, based on data collected from the eligible entities. The State shall also include in the report a summary describing the training and technical assistance offered by the State under section 678C(a)(3) during the year covered by the report.

"(b) SECRETARY'S ACCOUNTABILITY AND REPORTING REQUIREMENTS.—

"(1) PERFORMANCE MEASUREMENT.—The Secretary, in collaboration with the States and with eligible entities throughout the Nation, shall establish 1 or more model performance measurement systems, which may be used by the States and by eligible en-

~~ties to measure their performance in carrying out the requirements of this subtitle and in achieving the goals of community action plans. The Secretary shall provide technical assistance, including support for the enhancement of electronic data systems, to States and to eligible entities to enhance their capability to collect and report data for such a system and to aid in their participation in such a system.~~

~~"(2) REPORTING REQUIREMENTS.—At the end of each fiscal year beginning after September 30, 1999, the Secretary shall, directly or by grant or contract, prepare a report containing—~~

~~"(A) a summary of the planned use of funds by each State, and the eligible entities in the State, under the community services block grant program, as contained in each State plan submitted pursuant to section 676;~~

~~"(B) a description of how funds were actually spent by the State and eligible entities in the State, including a breakdown of funds spent on administrative costs and on the direct delivery of local services by eligible entities;~~

~~"(C) information on the number of entities eligible for funds under this subtitle, the number of low-income persons served under this~~

~~subtitle, and such demographic data on the low-income populations served by eligible entities as is determined by the Secretary to be feasible;~~

~~"(D) a comparison of the planned uses of funds for each State and the actual uses of the funds;~~

~~"(E) a summary of each State's performance results, and the results for the eligible entities, as collected and submitted by the States in accordance with subsection (a)(2); and~~

~~"(F) any additional information that the Secretary considers to be appropriate to carry out this subtitle, if the Secretary informs the States of the need for such additional information and allows a reasonable period of time for the States to collect and provide the information.~~

~~"(3) SUBMISSION.—The Secretary shall submit to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate the report described in paragraph (2), and any comments the Secretary may have with respect to such report. The report shall include definitions of direct, indirect, and administrative costs used by the De-~~

partment of Health and Human Services for programs funded under this subtitle.

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

"SEC. 678F. LIMITATIONS ON USE OF FUNDS.

"(a) CONSTRUCTION OF FACILITIES.—

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

"(2) WAIVER.—The Secretary may waive the limitation contained in paragraph (1) upon a State request for such a waiver, if the Secretary finds that the request describes extraordinary circumstances to justify the purchase of land or the construction of

~~facilities (or the making of permanent improvements) and that permitting the waiver will contribute to the ability of the State to carry out the purposes of this subtitle.~~

~~"(b) POLITICAL ACTIVITIES.—~~

~~"(1) TREATMENT AS A STATE OR LOCAL AGENCY.—For purposes of chapter 15 of title 5, United States Code, any entity that assumes responsibility for planning, developing, and coordinating activities under this subtitle and receives assistance under this subtitle shall be deemed to be a State or local agency. For purposes of paragraphs (1) and (2) of section 1502(a) of such title, any entity receiving assistance under this subtitle shall be deemed to be a State or local agency.~~

~~"(2) PROHIBITIONS.—Programs assisted under this subtitle shall not be carried on in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel, in a manner supporting or resulting in the identification of such programs with—~~

~~"(A) any partisan or nonpartisan political activity or any political activity associated with a candidate, or contending faction or group, in an election for public or party office;~~

~~"(B) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election; or~~

~~"(C) any voter registration activity.~~

~~"(3) RULES AND REGULATIONS.—The Secretary, after consultation and regulations with the Office of Personnel Management, shall issue rules and regulations to provide for the enforcement of this subsection, which shall include provisions for summary suspension of assistance or other action necessary to permit enforcement on an emergency basis.~~

~~"(c) NONDISCRIMINATION.—~~

~~"(1) IN GENERAL.—No person shall, on the basis of race, color, religion, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds made available under this subtitle. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in section 504 of the Rehabilitation Act of 1973 (29~~

~~U.S.C. 794) or title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.) shall also apply to any such program or activity.~~

~~"(2) ACTION OF SECRETARY.—Whenever the Secretary determines that a State that has received a payment under this subtitle has failed to comply with paragraph (1) or an applicable regulation, the Secretary shall notify the chief executive officer of the State and shall request that the officer secure compliance. If within a reasonable period of time, not to exceed 60 days, the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to—~~

~~"(A) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;~~

~~"(B) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), or section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), as may be applicable; or~~

~~"(C) take such other action as may be provided by law.~~

~~"(3) ACTION OF ATTORNEY GENERAL.—When a matter is referred to the Attorney General pursuant to paragraph (2), or whenever the Attorney General has reason to believe that the State is engaged in a pattern or practice of discrimination in violation of the provisions of this subsection, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.~~

~~"SEC. 679. OPERATIONAL RULE.~~

~~"(a) FAITH-BASED ORGANIZATIONS INCLUDED AS NONGOVERNMENTAL PROVIDERS.—For any program carried out by the Federal Government, or by a State or local government under this subtitle, the government shall consider, on the same basis as other nongovernmental organizations, faith-based organizations to provide the assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution. Neither the Federal Government nor a State or local government receiving funds under this subtitle shall discriminate against an organization that provides assistance under, or applies to provide assistance under, this subtitle, on the basis that the organization has a faith-based character.~~

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

~~"(c) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided through a grant or contract to a faith-based organization to provide assistance under any program described in subsection (a) shall be expended for sectarian worship, instruction, or proselytization.~~

~~"(d) FISCAL ACCOUNTABILITY.—~~

~~"(1) IN GENERAL.—Except as provided in paragraph (2), any faith-based organization providing assistance under any program described in subsection (a) shall be subject to the same regulations as other nongovernmental organizations to account in accord with generally accepted accounting principles for the use of such funds provided under such program.~~

~~"(2) LIMITED AUDIT.—Such organization shall segregate government funds provided under such program into a separate account. Only the government funds shall be subject to audit by the government.~~

~~"SEC. 680. DISCRETIONARY AUTHORITY OF THE SECRETARY.~~

~~"(a) GRANTS, CONTRACTS, ARRANGEMENTS, LOANS, AND GUARANTEES.—~~

~~"(1) IN GENERAL.—The Secretary shall, from funds reserved under section 674(b)(3), make grants, loans, or guarantees to States and public agencies and private, nonprofit organizations, or enter into contracts or jointly financed cooperative arrangements with States and public agencies and private, nonprofit organizations (and for-profit organizations, to the extent specified in paragraph (2)(E)) for each of the objectives described in paragraphs (2) through (4).~~

~~"(2) COMMUNITY ECONOMIC DEVELOPMENT.—~~

~~"(A) ECONOMIC DEVELOPMENT ACTIVITIES.—The Secretary shall make grants described in paragraph (1) on a competitive basis to private, non-profit organizations that are community development corporations to provide technical and financial assistance for economic development activities designed to address the economic needs of low-income individuals and families by creating employment and business development opportunities.~~

~~"(B) CONSULTATION.—The Secretary shall exercise the authority provided under subparagraph (A) after consultation with other relevant Federal officials.~~

~~"(C) GOVERNING BOARDS.—For a community development corporation to receive funds to carry out this paragraph, the corporation shall be governed by a board that shall consist of residents of the community and business and civic leaders and shall have as a principal purpose planning, developing, or managing low-income housing or community development projects.~~

~~"(D) GEOGRAPHIC DISTRIBUTION.—In making grants to carry out this paragraph, the Secretary shall take into consideration the geographic distribution of funding among States and the relative proportion of funding among rural and urban areas.~~

~~"(E) RESERVATION.—Of the amounts made available to carry out this paragraph, the Secretary may reserve not more than 1 percent for each fiscal year to make grants to private, nonprofit organizations or to enter into contracts with private, nonprofit or for-profit orga-~~

~~nizations to provide technical assistance to aid community development corporations in developing or implementing activities funded to carry out this paragraph and to evaluate activities funded to carry out this paragraph.~~

~~"(3) RURAL COMMUNITY DEVELOPMENT ACTIVITIES.—The Secretary shall provide the assistance described in paragraph (1) for rural community development activities, which shall include—~~

~~"(A) grants to private, nonprofit corporations that provide assistance concerning home repair to rural low-income families and planning and developing low-income rural rental housing units; and~~

~~"(B) grants to multistate, regional, private, nonprofit organizations to provide training and technical assistance to small, rural communities in meeting their community facility needs.~~

~~"(4) NEIGHBORHOOD INNOVATION PROJECTS.—The Secretary shall provide the assistance described in paragraph (1) for neighborhood innovation projects, which shall include grants to neighborhood-based private, nonprofit organizations to test or assist in the development of new approaches or methods that will aid in overcoming spe-~~

~~cial problems identified by communities or neighborhoods or otherwise assist in furthering the purposes of this subtitle, and which may include projects that are designed to serve low-income individuals and families who are not being effectively served by other programs.~~

~~"(b) EVALUATION.—The Secretary shall require all activities receiving assistance under this section to be evaluated for their effectiveness. Funding for such evaluations shall be provided as a stated percentage of the assistance or through a separate grant awarded by the Secretary specifically for the purpose of evaluation of a particular activity or group of activities.~~

~~"(c) ANNUAL REPORT.—The Secretary shall compile an annual report containing a summary of the evaluations required in subsection (b) and a listing of all activities assisted under this section. The Secretary shall annually submit the report to the Chairperson of the Committee on Education and the Workforce of the House of Representatives and the Chairperson of the Committee on Labor and Human Resources of the Senate.~~

~~"SEC. 681. COMMUNITY FOOD AND NUTRITION PROGRAMS.~~

~~"(a) GRANTS.—The Secretary may, through grants to public and private, nonprofit agencies, provide for community-based, local, statewide, and national programs—~~

~~"(1) to coordinate private and public food assistance resources, wherever the grant recipient determines such coordination to be inadequate, to better serve low-income populations;~~

~~"(2) to assist low-income communities to identify potential sponsors of child nutrition programs and to initiate such programs in underserved or unserved areas; and~~

~~"(3) to develop innovative approaches at the State and local level to meet the nutrition needs of low-income individuals.~~

~~"(b) ALLOTMENTS AND DISTRIBUTION OF FUNDS.—~~

~~"(1) IN GENERAL.—Of the amount appropriated for a fiscal year to carry out this section, the Secretary shall distribute funds for grants under subsection (a) as follows:~~

~~"(A) ALLOTMENTS.—From 60 percent of such amount (but not to exceed $3,600,000), the Secretary shall allot for grants to eligible agencies for statewide programs in each State the amount that bears the same ratio to 60 percent of such amount as the low-income and unemployed population of such State bears to the low-income and unemployed population of all the States.~~

~~"(B) COMPETITIVE GRANTS.—From 40 percent of such amount (but not to exceed $2,400,000), the Secretary shall make grants on a competitive basis to eligible agencies for local and statewide programs.~~

~~"(2) GREATER AVAILABLE APPROPRIATIONS.—Any amounts appropriated for a fiscal year to carry out this section in excess of $6,000,000 shall be allotted as follows:~~

~~"(A) ALLOTMENTS.—The Secretary shall use 40 percent of such excess to make allotments for grants under subsection (a) to eligible agencies for statewide programs in each State in an amount that bears the same ratio to 40 percent of such excess as the low-income and unemployed population of such State bears to the low-income and unemployed population of all the States.~~

~~"(B) COMPETITIVE GRANTS FOR LOCAL AND STATEWIDE PROGRAMS.—The Secretary shall use 40 percent of such excess to make grants under subsection (a) on a competitive basis to eligible agencies for local and statewide programs.~~

~~"(C) COMPETITIVE GRANTS FOR NATIONWIDE PROGRAMS.—The Secretary shall use the remaining 20 percent of such excess to make grants under subsection (a) on a competitive basis to eligible agencies for nationwide programs, including programs benefiting Indians as defined in section 677 and migrant or seasonal farmworkers.~~

~~"(3) ELIGIBILITY FOR ALLOTMENTS FOR STATEWIDE PROGRAMS.—To be eligible to receive an allotment under paragraph (1)(A) or (2)(A), an eligible agency shall demonstrate that the proposed program is statewide in scope and represents a comprehensive and coordinated effort to alleviate hunger within the State.~~

~~"(4) MINIMUM ALLOTMENTS FOR STATEWIDE PROGRAMS.—~~

~~"(A) IN GENERAL.—From the amounts allotted under paragraphs (1)(A) and (2)(A), the minimum total allotment for each State for each fiscal year shall be—~~

~~"(i) $15,000 if the total amount appropriated to carry out this section is not less than $7,000,000 but less than $10,000,000;~~

~~"(ii) $20,000 if the total amount appropriated to carry out this section is not less than $10,000,000 but less than $15,000,000; or~~

~~"(iii) $30,000 if the total amount appropriated to carry out this section is not less than $15,000,000.~~

~~"(B) DEFINITION.—In this paragraph, the term 'State' does not include Guam, American Samoa, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, or the Freely Associated States.~~

~~"(5) MAXIMUM GRANTS.—From funds made available under paragraphs (1)(B) and (2)(B) for any fiscal year, the Secretary may not make grants under subsection (a) to an eligible agency in an aggregate amount exceeding $50,000. From funds made available under paragraph (2)(C) for any fiscal year, the Secretary may not make grants under subsection (a) to an eligible agency in an aggregate amount exceeding $300,000.~~

~~"(c) REPORT.—For each fiscal year, the Secretary shall prepare and submit, to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the~~

~~Senate, a report concerning the grants made under this section. Such report shall include—~~

~~"(1) a list of grant recipients;~~

~~"(2) information on the amount of funding awarded to each grant recipient; and~~

~~"(3) a summary of the activities performed by the grant recipients with funding awarded under this section and a description of the manner in which such activities meet the objectives described in subsection (a).~~

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

~~"SEC. 682. NATIONAL OR REGIONAL PROGRAMS DESIGNED TO PROVIDE INSTRUCTIONAL ACTIVITIES FOR LOW-INCOME YOUTH.~~

~~"(a) GENERAL AUTHORITY.—The Secretary is authorized to make a grant to an eligible service provider to administer national or regional programs to provide instructional activities for low-income youth. In making such a grant, the Secretary shall give priority to eligible service providers that have a demonstrated ability to operate such a program.~~

~~"(b) PROGRAM REQUIREMENTS.—Any instructional activity carried out by an eligible service provider receiving a grant under this section shall be carried out on the campus of an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))) and shall include—~~

~~"(1) access to the facilities and resources of such an institution;~~

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

~~"(3) at least 1 nutritious meal daily, without charge, for participating youth during each day of participation;~~

~~"(4) high quality instruction in a variety of sports (that shall include swimming and that may include dance and any other high quality recreational activity) provided by coaches and teachers from institutions of higher education and from elementary and secondary schools (as defined in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801)); and~~

~~"(5) enrichment instruction and information on matters relating to the well-being of youth, to include educational opportunities and information on~~

~~study practices, education for the prevention of drug and alcohol abuse, and information on health and nutrition, career opportunities, and family and job responsibilities.~~

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

~~"(1) ensure that—~~

~~"(A) a community-based advisory committee is established, with representatives from local youth, family, and social service organizations, schools, entities providing park and recreation services, and other community-based organizations serving high-risk youth; or~~

~~"(B) an existing community-based advisory board, commission, or committee with similar membership is utilized to serve as the committee described in subparagraph (A); and~~

~~"(2) enter into formal partnerships with youth-serving organizations or other appropriate social service entities in order to link program participants with year-round services in their home communities that support and continue the objectives of this subtitle.~~

~~"(d) ELIGIBLE PROVIDERS.—A service provider that is a national private, nonprofit organization, a coalition of such organizations, or a private, nonprofit organization applying jointly with a business concern shall be eligible for a grant under this section if—~~

~~"(1) the applicant has demonstrated experience in operating a program providing instruction to low-income youth;~~

~~"(2) the applicant agrees to contribute an amount (in cash or in kind, fairly evaluated) of not less than 25 percent of the amount requested;~~

~~"(3) the applicant agrees to use no funds from a grant authorized under this section for administrative expenses; and~~

~~"(4) the applicant agrees to comply with the regulations or program guidelines promulgated by the Secretary for use of funds made available through the grant.~~

~~"(e) APPLICATIONS PROCESS.—To be eligible to receive a grant under this section, a service provider shall submit to the Secretary, for approval, an application at such time, in such manner, and containing such information as the Secretary may require.~~

~~"(f) PROMULGATION OF REGULATIONS OR PROGRAM GUIDELINES.—The Secretary shall promulgate regula-~~

~~tions or program guidelines to ensure funds made available through a grant made under this section are used in accordance with the objectives of this subtitle.~~

~~"(g) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated $15,000,000 for each of fiscal years 1999 through 2003 for grants to carry out this section.~~

~~"SEC. 683. REFERENCES.~~

~~"Any reference in any provision of law to the poverty line set forth in section 624 or 625 of the Economic Opportunity Act of 1964 shall be construed to be a reference to the poverty line defined in section 673. Any reference in any provision of law to any community action agency designated under title II of the Economic Opportunity Act of 1964 shall be construed to be a reference to an entity eligible to receive funds under the community services block grant program.".~~

~~SEC. 202. CONFORMING AMENDMENTS.~~

~~(a) PREPARATION.—After consultation with the appropriate committees of Congress and the Director of the Office of Management and Budget, the Secretary of Health and Human Services shall prepare recommended legislation containing technical and conforming amendments to reflect the changes made by this title.~~

(b) SUBMISSION TO CONGRESS.—Not later than 6 months after the date of enactment of this Act, the Secretary shall submit to Congress the recommended legislation referred to under subsection (a).

SEC. 203. REPEALERS.

Sections 407 and 408 of the Human Services Reauthorization Act of 1986 (42 U.S.C 9812a and 9910b) are repealed.

TITLE III—LOW-INCOME HOME ENERGY ASSISTANCE

SEC. 301. AUTHORIZATION.

(a) IN GENERAL.—Section 2602(b) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621(b)) is amended by striking ''fiscal years 1995 through 1999'' and inserting ''fiscal years 1999 through 2004''.

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

''(c)(1) Amounts appropriated under this section in any fiscal year for programs and activities under this title shall be made available for obligation in the succeeding fiscal year.''.

(c) INCENTIVE PROGRAM FOR LEVERAGING NON-FEDERAL RESOURCES.—Section 2602(d) of such Act (42 U.S.C. 8621(d)) is amended—

~~(1) by striking "(d)" and inserting "(d)(1)";~~

~~(2) by striking "$50,000,000" and all that follows and inserting the following: "$30,000,000 for each of fiscal years 1999 through 2004, except as provided in paragraph (2)."; and~~

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

~~"(2) For any fiscal year for which the amount appropriated under subsection (b) is not less than $1,400,000,000, there are authorized to be appropriated to carry out section 2607A $50,000,000 for each of fiscal years 1999 through 2004.".~~

~~(d) TECHNICAL AMENDMENT.—Section 2602(e) of such Act (42 U.S.C. 8621(e)) is amended by striking "subsection (g)" and inserting "subsection (e) of such section".~~

~~SEC. 302. DEFINITIONS.~~

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

~~(1) by striking "the term" and inserting "The term"; and~~

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

~~SEC. 303. NATURAL DISASTERS AND OTHER EMERGENCIES.~~

~~(a) DEFINITIONS.—Section 2603 of the Low-Income Home Energy Assistance Act of 1981 is amended—~~

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

~~(2) by inserting before paragraph (8) (as redesignated in paragraph (1)) the following:~~

~~"(7) NATURAL DISASTER.—The term 'natural disaster' means a weather event (relating to cold or hot weather), flood, earthquake, tornado, hurricane, or ice storm, or an event meeting such other criteria as the Secretary, in the discretion of the Secretary, may determine to be appropriate.";~~

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

~~(4) by inserting before paragraph (2) (as redesignated in paragraph (3)) the following:~~

~~"(1) EMERGENCY.—The term 'emergency' means—~~

~~"(A) a natural disaster;~~

~~"(B) a significant home energy supply shortage or disruption;~~

~~"(C) a significant increase in the cost of home energy, as determined by the Secretary;~~

~~"(D) a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data;~~

~~"(E) a significant increase in participation in a public benefit program such as the food stamp pro-~~

~~gram carried out under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), the national program to provide supplemental security income carried out under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.), or the State temporary assistance for needy families program carried out under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), as determined by the head of the appropriate Federal agency;~~

~~"(F) a significant increase in unemployment, layoffs, or the number of households with an individual applying for unemployment benefits, as determined by the Secretary of Labor; or~~

~~"(G) an event meeting such criteria as the Secretary, in the discretion of the Secretary, may determined to be appropriate.".~~

~~(b) CONSIDERATIONS.—Section 2604(g) of such Act (42 U.S.C. 8623(g)) is amended by striking the last 2 sentences and inserting the following: "In determining whether to make such an allotment to a State, the Secretary shall take into account the extent to which the State was affected by the emergency or disaster involved, the availability to the State of other resources under the program carried out under this title or any other program, whether a Member of Congress has requested that the State receive~~

~~the allotment, and such other factors as the Secretary may find to be relevant. Not later than 30 days after making the determination, but prior to releasing an allotted amount to a State, the Secretary shall notify Congress of the allotments made pursuant to this subsection.''.~~

~~SEC. 304. STATE ALLOTMENTS.~~

~~Section 2604 of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8623) is amended—~~

~~(1) in subsection (b)(1), by striking ''the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.'' and inserting ''the Commonwealth of the Northern Mariana Islands, and the combined Freely Associated States.'';~~

~~(2) in subsection (c)(3)(B)(ii), by striking ''application'' and inserting ''applications'';~~

~~(3) by striking subsection (f);~~

~~(4) in subsection (g)—~~

~~(A) in the first sentence, by striking ''(a) through (f)'' and inserting ''(a) through (d)''; and~~

~~(B) in the second sentence, by striking ''emergency or disaster,'' and inserting ''natural disaster or other emergency,''; and~~

~~(5) by redesignating subsection (g) as subsection (c).~~

~~SEC. 305. ADMINISTRATION.~~

~~Section 2605 of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8624) is amended—~~

~~(1) in subsection (b)—~~

~~(A) in paragraph (9)(A), by striking "and not transferred pursuant to section 2604(f) for use under another block grant";~~

~~(B) in paragraph (14), by striking "; and" and inserting a semicolon;~~

~~(C) in the matter following paragraph (14), by striking "The Secretary may not prescribe the manner in which the States will comply with the provisions of this subsection."; and~~

~~(D) in the matter following paragraph (16), by inserting before "The Secretary shall issue" the following: "The Secretary may not prescribe the manner in which the States will comply with the provisions of this subsection."; and~~

~~(2) in subsection (c)(1)—~~

~~(A) in subparagraph (B), by striking "States" and inserting "State"; and~~

~~(B) in subparagraph (G)(i), by striking "has" and inserting "had".~~

~~SEC. 306. PAYMENTS TO STATES.~~

~~Section 2607(b)(2)(B) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8626(b)(2)(B)) is amended—~~

~~(1) in the first sentence, by striking "and not transferred pursuant to section 2604(f)"; and~~

~~(2) in the second sentence, by striking "but not transferred by the State".~~

~~SEC. 307. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE OPTION.~~

~~(a) EVALUATION.—The Comptroller General shall conduct an evaluation of the Residential Energy Assistance Challenge program described in section 2607B of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8626b).~~

~~(b) REPORT.—Not later than 2 years after the date of enactment of this Act, the Comptroller General shall prepare and submit to Congress a report containing—~~

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

~~(2) the State evaluations described in paragraphs (1) and (2) of subsection (b) of such section 2607B.~~

~~(c) INCENTIVE GRANTS.—Section 2607B(b)(1) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8626b(b)(1)) is amended by striking "For each of~~

~~the fiscal years 1996 through 1999'' and inserting ''For each fiscal year''.~~

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

~~(1) in subsection (e)(2)—~~

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

~~(B) in clause (i) of subparagraph (I) (as redesignated in subparagraph (A)), by striking ''on'' and inserting ''of''; and~~

~~(2) by redesignating subsection (g) as subsection (f).~~

~~SEC. 308. TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE REVIEWS.~~

~~(a) IN GENERAL.—Section 2609A(a) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8628a(a)) is amended—~~

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

~~(A) by striking ''$250,000'' and inserting ''$300,000''; and~~

~~(B) by striking ''Secretary—'' and inserting ''Secretary to conduct onsite compliance reviews of programs supported under this title or—''; and~~

(2) in paragraph (2)—

(A) by inserting ''or interagency agreements'' after ''cooperative arrangements''; and

(B) by inserting ''(including Federal agencies)'' after ''public agencies''.

(b) CONFORMING AMENDMENT.—The section heading of section 2609A of such Act (42 U.S.C. 8628a) is amended to read as follows:

''TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE REVIEWS''.

TITLE IV—ASSETS FOR INDEPENDENCE

SEC. 401. SHORT TITLE.

This title may be cited as the ''Assets for Independence Act''.

SEC. 402. FINDINGS.

Congress makes the following findings:

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

~~(2) Fully ½ of all Americans have either no, negligible, or negative assets available for investment, just as the price of entry to the economic mainstream, the cost of a house, an adequate education, and starting a business, is increasing. Further, the household savings rate of the United States lags far behind other industrial nations presenting a barrier to economic growth.~~

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

~~(4) Traditional public assistance programs concentrating on income and consumption have rarely been successful in promoting and supporting the transition to increased economic self-sufficiency. Income-based domestic policy should be complemented with asset-based policy because, while income-based policies ensure that consumption needs (including food, child care, rent, clothing, and health care) are met, asset-based policies provide the means to~~

~~achieve greater independence and economic well-being.~~

~~SEC. 403. PURPOSES.~~

~~The purposes of this title are to provide for the establishment of demonstration projects designed to determine—~~

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

~~(2) the extent to which an asset-based policy that promotes saving for postsecondary education, homeownership, and microenterprise development may be used to enable individuals and families with limited means to increase their economic self-sufficiency; and~~

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

~~SEC. 404. DEFINITIONS.~~

~~In this title:~~

~~(1) APPLICABLE PERIOD.—The term "applicable period" means, with respect to amounts to be paid from a grant made for a project year, the cal-~~

~~endar year immediately preceding the calendar year in which the grant is made.~~

~~(2) ELIGIBLE INDIVIDUAL.—The term "eligible individual" means an individual who is selected to participate by a qualified entity under section 409.~~

~~(3) EMERGENCY WITHDRAWAL.—The term "emergency withdrawal" means a withdrawal by an eligible individual that—~~

~~(A) is a withdrawal of only those funds, or a portion of those funds, deposited by the individual in the individual development account of the individual;~~

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

~~(C) is made for—~~

~~(i) expenses for medical care or necessary to obtain medical care, for the individual or a spouse or dependent of the individual described in paragraph (8)(D);~~

~~(ii) payments necessary to prevent the eviction of the individual from the residence of the individual, or foreclosure on the mortgage for the principal residence of the individual, as defined in paragraph (8)(B); or~~

~~(iii) payments necessary to enable the individual to meet necessary living expenses following loss of employment.~~

~~(4) HOUSEHOLD.—The term "household" means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.~~

~~(5) INDIVIDUAL DEVELOPMENT ACCOUNT.—~~

~~(A) IN GENERAL.—The term "individual development account" means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an eligible individual, or enabling the eligible individual to make an emergency withdrawal, but only if the written governing instrument creating the trust meets the following requirements:~~

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

~~(ii) The trustee is a federally insured financial institution, or a State insured financial institution if no federally insured financial institution is available.~~

~~(iii) The assets of the trust will be invested in accordance with the direction of the eligible individual after consultation~~

~~with the qualified entity providing deposits for the individual under section 410.~~

~~(iv) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.~~

~~(v) Except as provided in clause (vi), any amount in the trust which is attributable to a deposit provided under section 410 may be paid or distributed out of the trust only for the purpose of paying the qualified expenses of the eligible individual, or enabling the eligible individual to make an emergency withdrawal.~~

~~(vi) Any balance in the trust on the day after the date on which the individual for whose benefit the trust is established dies shall be distributed within 30 days of that date as directed by that individual to another individual development account established for the benefit of an eligible individual.~~

~~(B) CUSTODIAL ACCOUNTS.—For purposes of subparagraph (A), a custodial account shall be treated as a trust if the assets of the custo-~~

~~dial account are held by a bank (as defined in section 408(n) of the Internal Revenue Code of 1986) or another person who demonstrates, to the satisfaction of the Secretary, that the manner in which such person will administer the custodial account will be consistent with the requirements of this title, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subparagraph (A). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of that custodial account shall be treated as the trustee thereof.~~

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

~~(7) QUALIFIED ENTITY.—~~

~~(A) IN GENERAL.—The term "qualified entity" means—~~

~~(i) one or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 and ex-~~

~~empt from taxation under section 501(a) of such Code; or~~

~~(ii) a State or local government agency, or a tribal government, submitting an application under section 405 jointly with an organization described in clause (i).~~

~~(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing an organization described in subparagraph (A)(i) from collaborating with a financial institution or for-profit community development corporation to carry out the purposes of this title.~~

~~(8) QUALIFIED EXPENSES.—The term "qualified expenses" means 1 or more of the following, as provided by the qualified entity:~~

~~(A) POSTSECONDARY EDUCATIONAL EXPENSES.—Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution. In this subparagraph:~~

~~(i) POSTSECONDARY EDUCATIONAL EXPENSES.—The term "postsecondary educational expenses" means the following:~~

~~(I) TUITION AND FEES.—Tuition and fees required for the enrollment~~

or attendance of a student at an eligible educational institution.

(II) FEES, BOOKS, SUPPLIES, AND EQUIPMENT.—Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

(ii) ELIGIBLE EDUCATIONAL INSTITUTION.—The term ''eligible educational institution'' means the following:

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

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in

~~section 521(33) of such Act), as such sections are in effect on the date of enactment of this title.~~

~~(B) FIRST-HOME PURCHASE.—Qualified acquisition costs with respect to a principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons to whom the amounts are due. In this subparagraph:~~

~~(i) PRINCIPAL RESIDENCE.—The term "principal residence" means a principal residence, the qualified acquisition costs of which do not exceed 100 percent of the average area purchase price applicable to such residence.~~

~~(ii) QUALIFIED ACQUISITION COSTS.—The term "qualified acquisition costs" means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.~~

~~(iii) QUALIFIED FIRST-TIME HOMEBUYER.—~~

~~(I) IN GENERAL.—The term "qualified first-time homebuyer"~~

means an individual participating in the project (and, if married, the individual's spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this subparagraph applies.

(II) DATE OF ACQUISITION.—The term ''date of acquisition'' means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which this subparagraph applies is entered into.

(C) BUSINESS CAPITALIZATION.—Amounts paid from an individual development account directly to a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses. In this subparagraph:

(i) QUALIFIED BUSINESS CAPITALIZATION EXPENSES.—The term ''qualified business capitalization expenses'' means qualified expenditures for the capitalization

~~of a qualified business pursuant to a qualified plan.~~

~~(ii) QUALIFIED EXPENDITURES.—The term "qualified expenditures" means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.~~

~~(iii) QUALIFIED BUSINESS.—The term "qualified business" means any business that does not contravene any law or public policy (as determined by the Secretary).~~

~~(iv) QUALIFIED PLAN.—The term "qualified plan" means a business plan, or a plan to use a business asset purchased, which—~~

~~(I) is approved by a financial institution, a microenterprise development organization, or a nonprofit loan fund having demonstrated fiduciary integrity;~~

~~(II) includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and~~

~~(III) may require the eligible individual to obtain the assistance of an experienced entrepreneurial adviser.~~

~~(D) TRANSFERS TO IDAS OF FAMILY MEMBERS.—Amounts paid from an individual development account directly into another such account established for the benefit of an eligible individual who is—~~

~~(i) the individual's spouse; or~~

~~(ii) any dependent of the individual with respect to whom the individual is allowed a deduction under section 151 of the Internal Revenue Code of 1986.~~

~~(9) QUALIFIED SAVINGS OF THE INDIVIDUAL FOR THE PERIOD.—The term "qualified savings of the individual for the period" means the aggregate of the amounts contributed by the individual to the individual development account of the individual during the period.~~

~~(10) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.~~

~~(11) TRIBAL GOVERNMENT.—The term "tribal government" means a tribal organization, as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b) or a Na-~~

~~tive Hawaiian organization, as defined in section 9212 of the Native Hawaiian Education Act (20 U.S.C. 7912).~~

~~SEC. 405. APPLICATIONS.~~

~~(a) ANNOUNCEMENT OF DEMONSTRATION PROJECTS.—Not later than 3 months after the date of enactment of this title, the Secretary shall publicly announce the availability of funding under this title for demonstration projects and shall ensure that applications to conduct the demonstration projects are widely available to qualified entities.~~

~~(b) SUBMISSION.—Not later than 6 months after the date of enactment of this title, a qualified entity may submit to the Secretary an application to conduct a demonstration project under this title.~~

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

~~(1) SUFFICIENCY OF PROJECT.—The degree to which the project described in the application appears likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses. In making such assessment, the Secretary shall consider the overall quality of project activities in making any particular kind or combina-~~

~~tion of qualified expenses to be an essential feature of any project.~~

~~(2) ADMINISTRATIVE ABILITY.—The experience and ability of the applicant to responsibly administer the project.~~

~~(3) ABILITY TO ASSIST PARTICIPANTS.—The experience and ability of the applicant in recruiting, educating, and assisting project participants to increase their economic independence and general well-being through the development of assets.~~

~~(4) COMMITMENT OF NON-FEDERAL FUNDS.—The aggregate amount of direct funds from non-Federal public sector and from private sources that are formally committed to the project as matching contributions.~~

~~(5) ADEQUACY OF PLAN FOR PROVIDING INFORMATION FOR EVALUATION.—The adequacy of the plan for providing information relevant to an evaluation of the project.~~

~~(6) OTHER FACTORS.—Such other factors relevant to the purposes of this title as the Secretary may specify.~~

~~(d) PREFERENCES.—In considering an application to conduct a demonstration project under this title, the Secretary shall give preference to an application that—~~

~~(1) demonstrates the willingness and ability to select individuals described in section 408 who are predominantly from households in which a child (or children) is living with the child's biological or adoptive mother or father, or with the child's legal guardian;~~

~~(2) provides a commitment of non-Federal funds with a proportionately greater amount of such funds committed by private sector sources; and~~

~~(3) targets such individuals residing within 1 or more relatively well-defined neighborhoods or communities (including rural communities) that experience high rates of poverty or unemployment.~~

~~(e) APPROVAL.—Not later than 9 months after the date of enactment of this title, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration projects under this title as the Secretary deems appropriate, taking into account the assessments required by subsections (c) and (d). The Secretary is encouraged to ensure that the applications that are approved involve a range of communities (both rural and urban) and diverse populations.~~

~~(f) CONTRACTS WITH NONPROFIT ENTITIES.—The Secretary may contract with an entity described in section 501(c)(3) of the Internal Revenue Code of 1986 and ex-~~

~~empt from taxation under section 501(a) of such Code to conduct any responsibility of the Secretary under this section or section 412 if—~~

~~(1) such entity demonstrates the ability to conduct such responsibility; and~~

~~(2) the Secretary can demonstrate that such responsibility would not be conducted by the Secretary at a lower cost.~~

~~SEC. 406. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.~~

~~(a) DEMONSTRATION AUTHORITY.—If the Secretary approves an application to conduct a demonstration project under this title, the Secretary shall, not later than 10 months after the date of enactment of this title, authorize the applicant to conduct the project for 4 project years in accordance with the approved application and the requirements of this title.~~

~~(b) GRANT AUTHORITY.—For each project year of a demonstration project conducted under this title, the Secretary may make a grant to the qualified entity authorized to conduct the project. In making such a grant, the Secretary shall make the grant on the first day of the project year in an amount not to exceed the lesser of—~~

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

~~(2) $1,000,000.~~

~~SEC. 407. RESERVE FUND.~~

~~(a) ESTABLISHMENT.—A qualified entity under this title, other than a State or local government agency, or a tribal government, shall establish a Reserve Fund which shall be maintained in accordance with this section.~~

~~(b) AMOUNTS IN RESERVE FUND.—~~

~~(1) IN GENERAL.—As soon after receipt as is practicable, a qualified entity shall deposit in the Reserve Fund established under subsection (a)—~~

~~(A) all funds provided to the qualified entity by any public or private source in connection with the demonstration project; and~~

~~(B) the proceeds from any investment made under subsection (c)(2).~~

~~(2) UNIFORM ACCOUNTING REGULATIONS.—The Secretary shall prescribe regulations with respect to accounting for amounts in the Reserve Fund established under subsection (a).~~

~~(c) USE OF AMOUNTS IN THE RESERVE FUND.—~~

~~(1) IN GENERAL.—A qualified entity shall use the amounts in the Reserve Fund established under subsection (a) to—~~

~~(A) assist participants in the demonstration project in obtaining the skills (including~~

~~economic literacy, budgeting, credit, and counseling) and information necessary to achieve economic self-sufficiency through activities requiring qualified expenses;~~

~~(B) provide deposits in accordance with section 410 for individuals selected by the qualified entity to participate in the demonstration project;~~

~~(C) administer the demonstration project; and~~

~~(D) provide the research organization evaluating the demonstration project under section 414 with such information with respect to the demonstration project as may be required for the evaluation.~~

~~(2) AUTHORITY TO INVEST FUNDS.—~~

~~(A) GUIDELINES.—The Secretary shall establish guidelines for investing amounts in the Reserve Fund established under subsection (a) in a manner that provides an appropriate balance between return, liquidity, and risk.~~

~~(B) INVESTMENT.—A qualified entity shall invest the amounts in its Reserve Fund that are not immediately needed to carry out the provi-~~

~~sions of paragraph (1), in accordance with the guidelines established under subparagraph (A).~~

~~(3) LIMITATION ON USES.—Not more than 9.5 percent of the amounts provided to a qualified entity under section 406(b) shall be used by the qualified entity for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1), of which not more than 2 percent of the amounts shall be used by the qualified entity for the purposes described in paragraph (1)(D). If 2 or more qualified entities are jointly administering a project, no qualified entity shall use more than its proportional share for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1).~~

~~(d) UNUSED FEDERAL GRANT FUNDS TRANSFERRED TO THE SECRETARY WHEN PROJECT TERMINATES.—Notwithstanding subsection (c), upon the termination of any demonstration project authorized under this section, the qualified entity conducting the project shall transfer to the Secretary an amount equal to—~~

~~(1) the amounts in its Reserve Fund at time of the termination; multiplied by~~

~~(2) a percentage equal to—~~

~~(A) the aggregate amount of grants made to the qualified entity under section 406(b); divided by~~

~~(B) the aggregate amount of all funds provided to the qualified entity by all sources to conduct the project.~~

~~SEC. 408. ELIGIBILITY FOR PARTICIPATION.~~

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

~~(1) INCOME TEST.—The adjusted gross income of the household does not exceed the earned income amount described in section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household).~~

~~(2) NET WORTH TEST.—~~

~~(A) IN GENERAL.—The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, does not exceed $10,000.~~

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

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

~~(ii) the obligations or debts of any member of the household.~~

~~(C) EXCLUSIONS.—For purposes of determining the net worth of a household, a household's assets shall not be considered to include the primary dwelling unit and 1 motor vehicle owned by the household.~~

~~(b) INDIVIDUALS UNABLE TO COMPLETE THE PROJECT.—The Secretary shall establish such regulations as are necessary, including prohibiting future eligibility to participate in any other demonstration project conducted under this title, to ensure compliance with this title if an individual participating in the demonstration project moves from the community in which the project is conducted or is otherwise unable to continue participating in that project.~~

~~SEC. 409. SELECTION OF INDIVIDUALS TO PARTICIPATE.~~

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

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

~~(2) to whom the qualified entity will provide deposits in accordance with section 410.~~

~~SEC. 410. DEPOSITS BY QUALIFIED ENTITIES.~~

~~(a) IN GENERAL.—Not less than once every 3 months during each project year, each qualified entity under this title shall deposit in the individual development account of each individual participating in the project, or into a parallel account maintained by the qualified entity—~~

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

~~(2) from the grant made under section 406(b), an amount equal to the matching contribution made under paragraph (1); and~~

~~(3) any interest that has accrued on amounts deposited under paragraph (1) or (2) on behalf of that individual into the individual development ac-~~

~~count of the individual or into a parallel account maintained by the qualified entity.~~

~~(b) LIMITATION ON DEPOSITS FOR AN INDIVIDUAL.—Not more than $2,000 from a grant made under section 406(b) shall be provided to any 1 individual over the course of the demonstration project.~~

~~(c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—Not more than $4,000 from a grant made under section 406(b) shall be provided to any 1 household over the course of the demonstration project.~~

~~(d) WITHDRAWAL OF FUNDS.—The Secretary shall establish such guidelines as may be necessary to ensure that funds held in an individual development account are not withdrawn, except for 1 or more qualified expenses, or for an emergency withdrawal. Such guidelines shall include a requirement that a responsible official of the qualified entity conducting a project approve such withdrawal in writing. The guidelines shall provide that no individual may withdraw funds from an individual development account earlier than 6 months after the date on which the individual first deposits funds in the account.~~

~~(e) REIMBURSEMENT.—An individual shall reimburse an individual development account for any funds withdrawn from the account for an emergency withdrawal, not later than 12 months after the date of the withdrawal.~~

~~If the individual fails to make the reimbursement, the qualified entity administering the account shall transfer the funds deposited into the account or a parallel account under section 410 to the Reserve Fund of the qualified entity, and use the funds to benefit other individuals participating in the demonstration project involved.~~

~~SEC. 411. LOCAL CONTROL OVER DEMONSTRATION PROJECTS.~~

~~A qualified entity under this title, other than a State or local government agency or a tribal government, shall, subject to the provisions of section 413, have sole authority over the administration of the project. The Secretary may prescribe only such regulations or guidelines with respect to demonstration projects conducted under this title as are necessary to ensure compliance with the approved applications and the requirements of this title.~~

~~SEC. 412. ANNUAL PROGRESS REPORTS.~~

~~(a) IN GENERAL.—Each qualified entity under this title shall prepare an annual report on the progress of the demonstration project. Each report shall include both program and participant information and shall specify for the period covered by the report the following information:~~

~~(1) The number of individuals making a deposit into an individual development account.~~

~~(2) The amounts in the Reserve Fund established with respect to the project.~~

~~(3) The amounts deposited in the individual development accounts.~~

~~(4) The amounts withdrawn from the individual development accounts and the purposes for which such amounts were withdrawn.~~

~~(5) The balances remaining in the individual development accounts.~~

~~(6) The savings account characteristics (such as threshold amounts and match rates) required to stimulate participation in the demonstration project, and how such characteristics vary among different populations or communities.~~

~~(7) What service configurations of the qualified entity (such as peer support, structured planning exercises, mentoring, and case management) increased the rate and consistency of participation in the demonstration project and how such configurations varied among different populations or communities.~~

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

~~(b) SUBMISSION OF REPORTS.—The qualified entity shall submit each report required to be prepared under subsection (a) to—~~

~~(1) the Secretary; and~~

~~(2) the Treasurer (or equivalent official) of the State in which the project is conducted, if the State or a local government or a tribal government committed funds to the demonstration project.~~

~~(c) TIMING.—The first report required by subsection (a) shall be submitted not later than 60 days after the end of the calendar year in which the Secretary authorized the qualified entity to conduct the demonstration project, and subsequent reports shall be submitted every 12 months thereafter, until the conclusion of the project.~~

~~SEC. 413. SANCTIONS.~~

~~(a) AUTHORITY TO TERMINATE DEMONSTRATION PROJECT.—If the Secretary determines that a qualified entity under this title is not operating the demonstration project in accordance with the entity's application or the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary), the Secretary shall terminate such entity's authority to conduct the demonstration project.~~

~~(b) ACTIONS REQUIRED UPON TERMINATION.—If the Secretary terminates the authority to conduct a demonstration project, the Secretary—~~

~~(1) shall suspend the demonstration project;~~

~~(2) shall take control of the Reserve Fund established pursuant to section 407;~~

~~(3) shall make every effort to identify another qualified entity (or entities) willing and able to conduct the project in accordance with the approved application (or, as modified, if necessary to incorporate the recommendations) and the requirements of this title;~~

~~(4) shall, if the Secretary identifies an entity (or entities) described in paragraph (3)—~~

~~(A) authorize the entity (or entities) to conduct the project in accordance with the approved application (or, as modified, if necessary, to incorporate the recommendations) and the requirements of this title;~~

~~(B) transfer to the entity (or entities) control over the Reserve Fund established pursuant to section 407; and~~

~~(C) consider, for purposes of this title—~~

~~(i) such other entity (or entities) to be the qualified entity (or entities) originally authorized to conduct the demonstration project; and~~

~~(ii) the date of such authorization to be the date of the original authorization; and~~

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

~~(A) terminate the project; and~~

~~(B) from the amount remaining in the Reserve Fund established as part of the project, remit to each source that provided funds under section 405(c)(4) to the entity originally authorized to conduct the project, an amount that bears the same ratio to the amount so remaining as the amount provided by the source under section 405(c)(4) bears to the amount provided by all such sources under that section.~~

~~SEC. 414. EVALUATIONS.~~

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

~~(b) FACTORS TO EVALUATE.—In evaluating any demonstration project conducted under this title, the research organization shall address the following factors:~~

~~(1) The effects of incentives and organizational or institutional support on savings behavior in the demonstration project.~~

~~(2) The savings rates of individuals in the demonstration project based on demographic characteristics including gender, age, family size, race or ethnic background, and income.~~

~~(3) The economic, civic, psychological, and social effects of asset accumulation, and how such effects vary among different populations or communities.~~

~~(4) The effects of individual development accounts on savings rates, homeownership, level of postsecondary education attained, and self-employment, and how such effects vary among different populations or communities.~~

~~(5) The potential financial returns to the Federal Government and to other public sector and private sector investors in individual development accounts over a 5-year and 10-year period of time.~~

~~(6) The lessons to be learned from the demonstration projects conducted under this title and if~~

~~a permanent program of individual development accounts should be established.~~

~~(7) Such other factors as may be prescribed by the Secretary.~~

~~(c) METHODOLOGICAL REQUIREMENTS.—In evaluating any demonstration project conducted under this title, the research organization shall—~~

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

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

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

~~(d) REPORTS BY THE SECRETARY.—~~

~~(1) INTERIM REPORTS.—Not later than 90 days after the end of the calendar year in which the Secretary first authorizes a qualified entity to conduct a demonstration project under this title, and every 12 months thereafter until all demonstration projects conducted under this title are completed, the Secretary shall submit to Congress an interim report setting forth the results of the reports submitted pursuant to section 412(b).~~

~~(2) FINAL REPORTS.—Not later than 12 months after the conclusion of all demonstration projects conducted under this title, the Secretary shall submit to Congress a final report setting forth the results and findings of all reports and evaluations conducted pursuant to this title.~~

~~(c) EVALUATION EXPENSES.—The Secretary shall expend such sums as may be necessary, but not more than 2 percent of the amounts appropriated under section 416 for a fiscal year, to carry out the purposes of this section.~~

~~SEC. 415. TREATMENT OF FUNDS.~~

~~Funds (including interest accruing) deposited in individual development accounts shall not be considered to be income for purposes of determining eligibility for, or the amount of assistance furnished under, any Federal or federally assisted program based on need.~~

~~SEC. 416. AUTHORIZATION OF APPROPRIATIONS.~~

~~There is authorized to be appropriated to carry out this title, $25,000,000 for each of fiscal years 1999, 2000, 2001, 2002, and 2003 to remain available until expended.~~

SECTION 1. SHORT TITLE.

This Act may be cited as the "Community Opportunities, Accountability, and Training and Educational Services Act of 1998" or the "Coats Human Services Reauthorization Act of 1998".

1 ***SEC. 2. TABLE OF CONTENTS.***

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

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TITLE I—HEAD START PROGRAMS

SEC. 101. SHORT TITLE.

This title may be cited as the "Head Start Amendments of 1998".

SEC. 102. REFERENCES.

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

SEC. 103. STATEMENT OF PURPOSE.

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

"SEC. 636. STATEMENT OF PURPOSE.

"It is the purpose of this subchapter to promote school readiness by enhancing the social and cognitive development of low-income children through the provision, to low-income children and their families, of health, educational, nutritional, social, and other services that are determined to be necessary, based on family needs assessments.".

SEC. 104. DEFINITIONS.

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

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

(2) by redesignating paragraph (3) as paragraph (6) and inserting such paragraph after paragraph (4);

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

"(3) The term 'child with a disability' means—

"(A) a child with a disability, as defined in section 602(3) of the Individuals with Disabilities Education Act; and

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

"(4) The term 'delegate agency' means a public, private nonprofit, or for-profit organization or agency to which a grantee has delegated all or part of the responsibility of the grantee for operating a Head Start program.

"(5) The term 'family literacy services' means services that—

"(A) are provided to participants who receive the services on a voluntary basis;

"(B) are of sufficient intensity, and of sufficient duration, to make sustainable changes in a

family (such as eliminating or reducing dependence on income-based public assistance); and

"(C) integrate each of—

"(i) interactive literacy activities between parents and their children;

"(ii) training for parents on being partners with their children in learning;

"(iii) parent literacy training, including training that contributes to economic self-sufficiency; and

"(iv) appropriate instruction for children of parents receiving the parent literacy training.";

(4) in paragraph (8) (as redesignated in paragraph (1)), by adding at the end the following: "Nothing in this paragraph shall be construed to require an agency to provide services to a child who has not reached the age of compulsory school attendance for more than the number of hours per day permitted by State law (including regulation) for the provision of services to such a child.";

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

"(14) The term 'migrant or seasonal Head Start program' means—

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

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

(6) by adding at the end the following:

"(17) The term 'reliable and replicable', used with respect to research, means an objective, valid, scientific study that—

"(A) includes a rigorously defined sample of subjects, that is sufficiently large and representative to support the general conclusions of the study;

"(B) relies on measurements that meet established standards of reliability and validity;

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

"(D) discovers effective strategies for enhancing the development and skills of children.".

SEC. 105. FINANCIAL ASSISTANCE FOR HEAD START PROGRAMS.

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

(1) by striking "aid the" and inserting "enable the"; and

(2) by striking the semicolon and inserting "and attain school readiness;".

SEC. 106. AUTHORIZATION OF APPROPRIATIONS.

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

(1) in subsection (a), by striking "1995 through 1998" and inserting "1999 through 2003"; and

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

"(1) for each of fiscal years 1999 through 2003 to carry out activities authorized under section 642A, not more than $35,000,000 but not less than was made available for such activities for fiscal year 1998;

"(2) not more than $5,000,000 for each of fiscal years 1999 through 2003 to carry out impact studies under section 649(g); and

"(3) not more than $12,000,000 for fiscal year 1999, and such sums as may be necessary for each of fiscal years 2000 through 2003, to carry out other re-

search, demonstration, and evaluation activities, including longitudinal studies, under section 649.".

SEC. 107. ALLOTMENT OF FUNDS.

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

(1) in paragraph (2)—

(A) in subparagraph (A)—

(i) by striking "handicapped children" and inserting "children with disabilities";

(ii) by striking "migrant Head Start programs" each place it appears and inserting "migrant or seasonal Head Start programs"; and

(iii) by striking "1994" and inserting "1998";

(B) in subparagraph (C), by striking "and" at the end;

(C) in subparagraph (D), by striking "related to the development and implementation of quality improvement plans under section 641A(d)(2)." and inserting "carried out under paragraph (1), (2), or (3) of section 641A(d) related to correcting deficiencies and conducting proceedings to terminate the designation of Head Start agencies; and";

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

"(E) payments for research, demonstration, and evaluation activities under section 649."; and

(E) by adding at the end the following: "In determining the need and demand for migrant and seasonal Head Start programs, and services provided through such programs, the Secretary shall consult with appropriate entities, including providers of services for seasonal and migrant Head Start programs. The Secretary shall, after taking into consideration the need and demand for migrant and seasonal Head Start programs, and such services, ensure that there is an adequate level of such services for the children of eligible migrant farmworkers before approving an increase in the allocation provided for children of eligible seasonal farmworkers. In carrying out this subchapter, the Secretary shall continue the administrative arrangement responsible for meeting the needs of migrant or seasonal farmworker and Indian children and shall assure that appropriate funding is provided to meet such needs.";

(2) in paragraph (3)—

(A) in subparagraph (B)—

(i) in clause (ii)—

(I) by striking "adequate qualified staff" and inserting "adequate numbers of qualified staff"; and

(II) by inserting "and children with disabilities" before ", when";

(ii) in clause (iv), by inserting before the period the following: ", and to encourage the staff to continually improve their skills and expertise by informing the staff of the availability of Federal and State incentive and loan forgiveness programs for professional development and by providing for preferences in the awarding of salary increases, in excess of cost-of-living allowances, to staff who obtain additional training or education related to their responsibilities as employees of a Head Start program or to advance their careers within the Head Start program";

(iii) in clause (vi), by striking the period and inserting ", and are physically accessible to children with disabilities and their parents.";

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

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

"(vii) Ensuring that such programs have qualified staff that can promote language skills and literacy growth of children and that can provide children with a variety of skills that have been identified, through research that is reliable and replicable, as predictive of later reading achievement.";

(B) in subparagraph (C)—

(i) in clause (i)(I)—

(I) by striking "of staff" and inserting "of classroom teachers and other staff"; and

(II) by striking "such staff" and inserting "qualified staff, including recruitment and retention pursuant to section 648A(a)";

(ii) by striking clause (ii) and inserting the following:

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

"(I) language and literacy growth; and

"(II) the acquisition of the English language for non-English background children and families.";

(iii) in clause (v), by inserting "accessibility or" before "availability";

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

(v) by inserting clause (iii) (as redesignated in clause (iv) of this subparagraph) after clause (ii); and

(C) in subparagraph (D)(i)(II), by striking "migrant Head Start programs" and inserting "migrant or seasonal Head Start programs";

(3) in paragraph (4)(A), by striking "1981" and inserting "1998";

(4) in paragraph (5)—

(A) in subparagraph (A), by striking "subparagraph (B)" and inserting "subparagraphs (B) and (D)";

(B) in subparagraph (B), by inserting before the period the following: "and to encourage Head Start agencies to collaborate with entities involved in State and local planning processes

(including the State lead agency administering the financial assistance received under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) and the entities providing resource and referral services in the State) in order to better meet the needs of low-income children and families";

(C) in subparagraph (C)—

(i) in clause (i)(I), by inserting "the appropriate regional office of the Administration for Children and Families and" before "agencies";

(ii) in clause (iii), by striking "and" at the end;

(iii) in clause (iv)—

(I) by striking "education, and national service activities," and inserting "education, and community service activities,";

(II) by striking "and activities" and inserting "activities"; and

(III) by striking the period and inserting ", and services for homeless children; and"; and

(iv) by adding at the end the following:

"(v) include representatives of the State Head Start Association and local Head Start agencies in unified planning regarding early care and education services at both the State and local levels, including collaborative efforts to plan for the provision of full-working-day, full calendar year early care and education services for children.";

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

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

"(D) Following the award of collaboration grants described in subparagraph (B), the Secretary shall provide, from the reserved sums, supplemental funding for collaboration grants—

"(i) to States that (in consultation with their State Head Start Associations) develop statewide, regional, or local unified plans for early childhood education and child care that include the participation of Head Start agencies; and

"(ii) to States that engage in other innovative collaborative initiatives, including plans for collaborative training and career development initiatives for child care, early childhood education, and Head Start service managers, providers, and staff.

"(E)(i) The Secretary shall—

"(I) review on an ongoing basis evidence of barriers to effective collaboration between Head Start programs and other Federal child care and early childhood education programs and resources;

"(II) develop initiatives, including providing additional training and technical assistance and making regulatory changes, in necessary cases, to eliminate barriers to the collaboration; and

"(III) develop a mechanism to resolve administrative and programmatic conflicts between such programs that would be a barrier to service providers, parents, or children related to the provision of unified services and the consolidation of funding for child care services.

"(ii) In the case of a collaborative activity funded under this subchapter and another provision of law providing for Federal child care or early childhood education, the use of equipment and nonconsumable supplies purchased with funds made available under this subchapter or such provision shall not be restricted to children enrolled or otherwise participating in the program carried out under that subchapter or provision, during a period in which the activity is predominantly funded under this subchapter or such provision."; and

(5) in paragraph (6)—

(A) by inserting "(A)" before "From"; and

(B) by striking "3 percent" and all that follows and inserting the following: "7.5 percent for fiscal year 1999, 8 percent for fiscal year 2000, 9 percent for fiscal year 2001, 10 percent for fiscal year 2002, and 10 percent for fiscal year 2003, of the amount appropriated pursuant to section 639(a), except as provided in subparagraph (B).

"(B)(i) For any fiscal year for which the Secretary determines that the amount appropriated under section 639(a) is not sufficient to permit the Secretary to reserve the portion described in subparagraph (A) without reducing the number of children served by Head Start programs or adversely affecting the quality of Head Start services, relative to the number of children served and the quality of the services during the preceding fiscal year, the Secretary may reduce the percentage of funds required to be reserved for the portion described in subparagraph (A) for the fiscal year for which the determination is made, but not below the percentage required to be so reserved for the preceding fiscal year.

"(ii) For any fiscal year for which the amount appropriated under section 639(a) is reduced to a level that re-

quires a lower amount to be made available under this subchapter to Head Start agencies and entities described in section 645A, relative to the amount made available to the agencies and entities for the preceding fiscal year, adjusted as described in paragraph (3)(A)(ii), the Secretary shall proportionately reduce—

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

"(II) the amounts made available to Head Start agencies for Head Start programs.".

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

(1) by striking "1982" and inserting "1999"; and

(2) by striking "(as defined in section 602(a) of the Individuals with Disabilities Education Act)".

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

(1) in paragraph (2)—

(A) in subparagraph (A), by striking the semicolon and inserting ", and the performance history of the applicant in providing services under other Federal programs (other than the program carried out under this subchapter);";

(B) in subparagraph (C), by striking "spoken);" and inserting "spoken, and organizations serving children with disabilities);";

(C) in subparagraph (D), by inserting before the semicolon the following: "and the extent to which, and manner in which, the applicant demonstrates the ability to collaborate and participate with other local community providers of child care or preschool services to provide full-working-day, full calendar year services";

(D) in subparagraph (E), by striking "program; and" and inserting "program or any other early childhood program;";

(E) in subparagraph (F), by striking the period and inserting "; and"; and

(F) by adding at the end the following:

"(G) the extent to which the applicant proposes to foster partnerships with other service providers in a manner that will enhance the resource capacity of the applicant."; and

(2) by adding at the end the following:

"(4) Notwithstanding subsection (a)(2), after taking into account the provisions of paragraph (1), the Secretary may allocate a portion of the remaining additional funds under subsection (a)(2)(A) for the purpose of increasing

funds available for the activities described in such subsection.".

(d) MIGRANT OR SEASONAL HEAD START PROGRAMS.—Section 640(l) (42 U.S.C. 9835(l)) is amended—

(1) by striking "migrant Head Start programs" each place it appears and inserting "migrant or seasonal Head Start programs"; and

(2) by striking "migrant families" and inserting "migrant or seasonal farmworker families".

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

SEC. 108. DESIGNATION OF HEAD START AGENCIES.

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

(1) in subsection (a)—

(A) in the matter preceding paragraph (1), by inserting "or for-profit" after "nonprofit"; and

(B) in paragraph (2), by inserting "(in consultation with the chief executive officer of the State in which the community is located)" after "the Secretary";

(2) in subsection (c)—

(A) in paragraph (1)—

(i) by striking "shall give priority" and inserting "shall, in consultation with the chief executive officer of the State, give priority";

(ii) by inserting "or for-profit" after "nonprofit"; and

(iii) by striking "unless the Secretary makes a finding" and all that follows and inserting the following: "unless the Secretary determines that the agency involved fails to meet program and financial management requirements, performance standards described in section 641A(a)(1), or other requirements established by the Secretary.";

(B) in paragraph (2), by striking "shall give priority" and inserting "shall, in consultation with the chief executive officer of the State, give priority"; and

(C) by aligning the margins of paragraphs (2) and (3) with the margins of paragraph (1);

(3) in subsection (d)—

(A) in the matter preceding paragraph (1), by inserting after the first sentence the following new sentence: "In selecting from among qualified

applicants for designation as a Head Start agency, the Secretary shall give priority to any qualified agency that functioned as a delegate agency in the community and carried out a Head Start program that the Secretary determines has met or exceeded the performance standards and outcome-based performance measures described in section 641A.";

(B) in paragraph (4)(A), by inserting "(at home and in the center involved where practicable)" after "activities";

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

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

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

"(8) the plan of such applicant to meet the needs of children with disabilities;";

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

"(e) If no agency in the community receives priority designation under subsection (c), and there is no qualified

applicant in the community, the Secretary shall designate a qualified agency to carry out the Head Start program in the community on an interim basis until a qualified applicant from the community is so designated.''; and

(5) by adding at the end the following:

''(g) If the Secretary determines that a nonprofit agency and a for-profit agency have submitted applications for designation of equivalent quality under subsection (d), the Secretary may give priority to the nonprofit agency.''.

SEC. 109. QUALITY STANDARDS.

(a) QUALITY STANDARDS.—Section 641A(a) (42 U.S.C. 9836a(a)) is amended—

(1) in paragraph (1)—

(A) in the matter preceding subparagraph (A), by inserting '', including minimum levels of overall accomplishment,'' after ''regulation standards'';

(B) in subparagraph (A), by striking ''education,'';

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

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

"(B)(i) education performance standards to ensure the school readiness of children participating in a Head Start program, on completion of the Head Start program and prior to entering school; and

"(ii) additional education performance standards to ensure that the children participating in the program, at a minimum—

"(I) develop phonemic, print, and numeracy awareness;

"(II) understand and use oral language to communicate needs, wants, and thoughts;

"(III) understand and use increasingly complex and varied vocabulary;

"(IV) develop and demonstrate an appreciation of books; and

"(V) in the case of non-English background children, progress toward acquisition of the English language.";

(2) by striking paragraph (2);

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

(4) in paragraph (2) (as redesignated in paragraph (3))—

(A) in subparagraph (B)(iii), by striking "child" and inserting "early childhood education and"; and

(B) in subparagraph (C)—

(i) in clause (i)—

(I) by striking "not later than 1 year after the date of enactment of this section,"; and

(II) by striking "section 651(b)" and all that follows and inserting "this subsection; and"; and

(ii) in subclause (ii), by striking "November 2, 1978" and inserting "the date of enactment of the Coats Human Services Reauthorization Act of 1998"; and

(5) in paragraph (3) (as redesignated in paragraph (3)), by striking "to an agency (referred to in this subchapter as the "delegate agency")" and inserting "to a delegate agency".

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

(1) in the subsection heading, by inserting "OUTCOME-BASED" before "PERFORMANCE";

(2) in paragraph (1)—

(A) by striking "Not later than 1 year after the date of enactment of this section, the" and inserting "The";

(B) by striking "child" and inserting "early childhood education and";

(C) by striking "(referred" and inserting ", and the impact of the services provided through the programs to children and their families (referred";

(D) by striking "performance measures" and inserting "outcome-based performance measures"; and

(E) by adding at the end the following: "The performance measures shall include the performance standards described in subsection (a)(1)(B)(ii)."; and

(3) in paragraph (2)—

(A) in the paragraph heading, by striking "DESIGN" and inserting "CHARACTERISTICS";

(B) in the matter preceding subparagraph (A), by striking "shall be designed—" and inserting "shall—";

(C) in subparagraph (A), by striking "to assess" and inserting "be used to assess the impact of";

(D) in subparagraph (B)—

(i) by striking "to"; and

(ii) by striking "and peer review" and inserting ", peer review, and program evaluation"; and

(E) in subparagraph (C), by inserting "be developed" before "for other".

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

(1) in subparagraph (B), by striking "; and" and inserting a semicolon;

(2) in subparagraph (C)—

(A) by inserting "(including children with disabilities)" after "eligible children"; and

(B) by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(D) as part of the reviews of the programs, include a review and assessment of program effectiveness, as measured in accordance with the outcome-based performance measures developed pursuant to subsection (b) and with the performance standards established pursuant to subparagraphs (A) and (B) of subsection (a)(1).".

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

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

"(B) with respect to each identified deficiency, require the agency—

"(i) to correct the deficiency immediately, if the Secretary finds that the deficiency threatens the health or safety of staff or program participants or poses a threat to the integrity of Federal funds;

"(ii) to correct the deficiency not later than 90 days after the identification of the deficiency if the Secretary finds, in the discretion of the Secretary, that such a 90-day period is reasonable, in light of the nature and magnitude of the deficiency; or

"(iii) in the discretion of the Secretary (taking into consideration the seriousness of the deficiency and the time reasonably required to correct the deficiency), to comply with the requirements of paragraph (2) concerning a quality improvement plan; and"; and

(2) in paragraph (2)(A), in the matter preceding clause (i), by striking "able to correct a deficiency

immediately" and inserting "required to correct a deficiency immediately or during a 90-day period under clause (i) or (ii) of paragraph (1)(B)".

SEC. 110. POWERS AND FUNCTIONS OF HEAD START AGENCIES.

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

(1) in subsection (a), by inserting "or for-profit" after "nonprofit";

(2) in subsection (c)—

(A) by inserting "and collaborate" after "coordinate"; and

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

(3) in subsection (d)—

(A) in paragraph (1)—

(i) by striking "shall carry out" and all that follows through "maintain" and inserting "shall take steps to ensure, to the maximum extent possible, that children maintain";

(ii) by striking "developmental" and inserting "developmental and educational"; and

(iii) by striking "to build" and inserting "build";

(B) by striking paragraph (2);

(C) by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(D) in subparagraph (A) of paragraph (4) (as redesignated in subparagraph (C)), by striking "the Head Start Transition Project Act (42 U.S.C. 9855 et seq.)" and inserting "section 642A".

SEC. 111. HEAD START TRANSITION.

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

"SEC. 642A. HEAD START TRANSITION.

"Each Head Start agency shall take steps to coordinate with the local educational agency serving the community involved and with schools in which children participating in a Head Start program operated by such agency will enroll following such program, including—

"(1) developing and implementing a systematic procedure for transferring, with parental consent,

Head Start program records for each participating child to the school in which such child will enroll;

"(2) establishing channels of communication between Head Start staff and their counterparts in the schools (including teachers, social workers, and health staff) to facilitate coordination of programs;

"(3) conducting meetings involving parents, kindergarten or elementary school teachers, and Head Start program teachers to discuss the developmental and other needs of individual children;

"(4) organizing and participating in joint transition-related training of school staff and Head Start staff;

"(5) developing and implementing a family outreach and support program in cooperation with entities carrying out parental involvement efforts under title I of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 6301 et seq.); and

"(6) assisting families, administrators, and teachers in enhancing continuity in child development between Head Start services and elementary school classes.".

SEC. 112. SUBMISSION OF PLANS TO GOVERNORS.

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

(1) by striking "within 30 days" and inserting "within 45 days"; and

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

SEC. 113. PARTICIPATION IN HEAD START PROGRAMS.

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

(1) in subparagraph (B), by striking "that programs" and inserting "that (i) programs"; and

(2) by striking the period at the end of subparagraph (B) and inserting the following: ", and (ii) a child who has been determined to meet the low-income criteria and who is participating in a Head Start program in a program year shall be considered to continue to meet the low-income criteria through the end of the succeeding program year. In determining, for purposes of this paragraph, whether a child who has applied for enrollment in a Head Start program meets the low-income criteria, an entity may consider evidence of family income during the 12 months preceding the month in which the application is submitted, or during the calendar year preceding the cal-

endar year in which the application is submitted, whichever more accurately reflects the needs of the family at the time of application.''.

(b) SLIDING FEE SCALE.—Section 645(b) (42 U.S.C. 9840(b)) is amended by adding at the end the following: ''A Head Start agency that provides a Head Start program with full-working-day services in collaboration with other agencies or entities may collect a family copayment to support extended day services if a copayment is required in conjunction with the collaborative. The copayment charged to families receiving services through the Head Start program shall not exceed the copayment charged to families with similar incomes and circumstances who are receiving the services through participation in a program carried out by another agency or entity.''.

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

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

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

*(1) in the section heading, by inserting "**EARLY HEAD START**" before "**PROGRAMS FOR**";*

(2) in subsection (a)—

(A) by striking "for—" and all that follows through "programs providing" and inserting "for programs providing";

(B) by striking "; and" and inserting a period; and

(C) by striking paragraph (2);

(3) in subsection (b)(5), by inserting "(including programs for infants and toddlers with disabilities)" after "community";

(4) in subsection (c)—

(A) in the matter preceding paragraph (1), by striking "subsection (a)(1)" and inserting "subsection (a)"; and

(B) in paragraph (2), by striking "3 (or under" and all that follows and inserting "3;";

(5) in subsection (d)—

(A) by striking paragraph (2); and

(B) by redesignating paragraph (3) as paragraph (2);

(6) by striking subsection (e);

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

(8) in subsection (e) (as redesignated in paragraph (7))—

(A) in the subsection heading, by striking "OTHER"; and

(B) by striking "From the balance remaining of the portion specified in section 640(a)(6), after making grants to the eligible entities specified in subsection (e)," and inserting "From the portion specified in section 640(a)(6),"; and

(9) by striking subsection (h) and inserting the following:

"(g) MONITORING, TRAINING, TECHNICAL ASSISTANCE, AND EVALUATION.—In order to ensure the successful operation of programs assisted under this section, the Secretary shall use funds from the portion specified in section 640(a)(6) to monitor the operation of such programs, evaluate their effectiveness, and provide training and technical assistance tailored to the particular needs of such programs.

"(h) TRAINING AND TECHNICAL ASSISTANCE ACCOUNT.—

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

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

"(A) making grants to, and entering into contracts with, organizations with specialized expertise relating to infants, toddlers, and families and the capacity needed to provide direction and support to a national training and technical assistance system, in order to provide such direction and support;

"(B) providing ongoing training and technical assistance for regional and program staff charged with monitoring and overseeing the administration of the program carried out under this section;

"(C) providing ongoing training and technical assistance for recipients of grants under subsection (a) and support and program planning and implementation assistance for new recipients of such grants; and

"(D) providing professional development and personnel enhancement activities, including the provision of funds to recipients of grants under subsection (a) for the recruitment and retention of qualified staff with an appropriate level of education and experience.".

SEC. 115. TECHNICAL ASSISTANCE AND TRAINING.

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

(1) in paragraph (1), by striking "; and" and inserting a semicolon;

(2) in paragraph (2), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(3) ensure the provision of technical assistance to assist Head Start agencies, entities carrying out other child care and early childhood programs, communities, and States in collaborative efforts to provide quality full-working-day, full calendar year services, including technical assistance related to identifying and assisting in resolving barriers to collaboration.".

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

(1) in paragraph (4)—

(A) by striking "developing" and inserting "developing and implementing"; and

(B) by striking "a longer day;" and inserting the following: "the day, and assist the agencies and programs in expediting the sharing of information about innovative models for provid-

ing full-working-day, full calendar year services for children;";

(2) in paragraph (7), by striking "; and" and inserting a semicolon;

(3) in paragraph (8), by striking the period and inserting "; and"; and

(4) by adding at the end the following:

"(9) assist Head Start agencies in—

"(A) ensuring the school readiness of children; and

"(B) meeting the education performance standards described in this subchapter.".

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

SEC. 116. STAFF QUALIFICATIONS AND DEVELOPMENT.

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

(1) in paragraph (1)—

(A) by redesignating subparagraphs (B) through (D) as clauses (ii) through (iv), respectively;

(B) by striking "(A)" and inserting "(B)(i)"; and

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

"(A) demonstrated competency to perform functions that include—

"(i) planning and implementing learning experiences that advance the intellectual and physical development of children, including improving the readiness of children for school by developing their literacy and phonemic, print, and numeracy awareness, their understanding and use of oral language, their understanding and use of increasingly complex and varied vocabulary, their appreciation of books, and their problem solving abilities;

"(ii) establishing and maintaining a safe, healthy learning environment;

"(iii) supporting the social and emotional development of children; and

"(iv) encouraging the involvement of the families of the children in a Head Start program and supporting the development of relationships between children and their families; and"; and

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

"(2) WAIVER.—On request, the Secretary shall grant a 180-day waiver of the requirements of paragraph (1)(B), for a Head Start agency that can demonstrate that the agency has unsuccessfully attempted to recruit an individual who has a credential, certificate, or degree described in paragraph (1)(B), with respect to an individual who—

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

"(B) will receive such credential, certificate, or degree under the terms of such program not later than 180 days after beginning employment as a teacher with such agency.".

SEC. 117. RESEARCH, DEMONSTRATION, AND EVALUATION.

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

(1) in paragraph (6), by striking "; and" and inserting a semicolon;

(2) in paragraph (7), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(8) study the experiences of small, medium, and large States with Head Start programs in order to

permit comparisons of children participating in the programs with eligible children who did not participate in the programs, which study—

"(A) may include the use of a data set that existed prior to the initiation of the study; and

"(B) shall compare the educational achievement, social adaptation, and health status of the participating children and the eligible non-participating children.

The Secretary shall ensure that an appropriate entity carries out a study described in paragraph (8), and prepares and submits to the appropriate committees of Congress a report containing the results of the study, not later than September 30, 2002.".

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

"(g) NATIONAL HEAD START IMPACT RESEARCH.—

"(1) EXPERT PANEL.—

"(A) IN GENERAL.—The Secretary shall appoint an independent panel consisting of experts in program evaluation and research, education, and early childhood programs—

"(i) to review, and make recommendations on, the design and plan for the research (whether conducted as a single as-

sessment or as a series of assessments), described in paragraph (2), within 1 year after the date of enactment of the Coats Human Services Reauthorization Act of 1998;

"(ii) to maintain and advise the Secretary regarding the progress of the research; and

"(iii) to comment, if the panel so desires, on the interim and final research reports submitted under paragraph (7).

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

"(2) GENERAL AUTHORITY.—After reviewing the recommendations of the expert panel, the Secretary shall enter into a grant, contract, or cooperative agreement with an organization to conduct independent research that provides a national analysis of the impact of Head Start programs. The Secretary shall ensure that the organization shall have expertise in program evaluation, and research, education, and early childhood programs.

"(3) DESIGNS AND TECHNIQUES.—The Secretary shall ensure that the research uses rigorous methodological designs and techniques (based on the recommendations of the expert panel), including longitudinal designs, control groups, nationally recognized standardized measures, and random selection and assignment, as appropriate. The Secretary may provide that the research shall be conducted as a single comprehensive assessment or as a group of coordinated assessments designed to provide, when taken together, a national analysis of the impact of Head Start programs.

"(4) PROGRAMS.—The Secretary shall ensure that the research focuses primarily on Head Start programs that operate in the 50 States, the Commonwealth of Puerto Rico, or the District of Columbia

and that do not specifically target special populations.

"(5) ANALYSIS.—The Secretary shall ensure that the organization conducting the research—

"(A)(i) determines if, overall, the Head Start programs have impacts consistent with their primary goal of increasing the social competence of children, by increasing the everyday effectiveness of the children in dealing with their present environments and future responsibilities, and increasing their school readiness;

"(ii) considers whether the Head Start programs—

"(I) enhance the growth and development of children in cognitive, emotional, and physical health areas;

"(II) strengthen families as the primary nurturers of their children; and

"(III) ensure that children attain school readiness; and

"(iii) examines—

"(I) the impact of the Head Start programs on increasing access of children to such services as educational, health, and nu-

tritional services, and linking children and families to needed community services; and

"(II) how receipt of services described in subclause (I) enriches the lives of children and families participating in Head Start programs;

"(B) examines the impact of Head Start programs on participants on the date the participants leave Head Start programs, at the end of kindergarten (in public or private school), and at the end of first grade (in public or private school), by examining a variety of factors, including educational achievement, referrals for special education or remedial course work, and absenteeism;

"(C) makes use of random selection from the population of all Head Start programs described in paragraph (4) in selecting programs for inclusion in the research; and

"(D) includes comparisons of individuals who participate in Head Start programs with control groups (including comparison groups) composed of—

"(i) individuals who participate in other public or private early childhood pro-

grams (such as public or private preschool programs and day care); and

"(ii) individuals who do not participate in any other early childhood program.

"(6) CONSIDERATION OF SOURCES OF VARIATION.—In designing the research, the Secretary shall, to the extent practicable, consider addressing possible sources of variation in impact of Head Start programs, including variations in impact related to such factors as—

"(A) Head Start program operations;

"(B) Head Start program quality;

"(C) the length of time a child attends a Head Start program;

"(D) the age of the child on entering the Head Start program;

"(E) the type of organization (such as a local educational agency or a community action agency) providing services for the Head Start program;

"(F) the number of hours and days of program operation of the Head Start program (such as whether the program is a full-working-day, full calendar year program, a part-day program, or a part-year program); and

"(G) other characteristics and features of the Head Start program (such as geographic location, location in an urban or a rural service area, or participant characteristics), as appropriate.

"(7) REPORTS.—

"(A) SUBMISSION OF INTERIM REPORTS.—The organization shall prepare and submit to the Secretary two interim reports on the research. The first interim report shall describe the design of the research, and the rationale for the design, including a description of how potential sources of variation in impact of Head Start programs have been considered in designing the research. The second interim report shall describe the status of the research and preliminary findings of the research, as appropriate.

"(B) SUBMISSION OF FINAL REPORT.—The organization shall prepare and submit to the Secretary a final report containing the findings of the research.

"(C) TRANSMITTAL OF REPORTS TO CONGRESS.—

"(i) IN GENERAL.—The Secretary shall transmit, to the committees described in

clause (ii), the first interim report by September 30, 1999, the second interim report by September 30, 2001, and the final report by September 30, 2003.

"(ii) COMMITTEES.—The committees referred to in clause (i) are the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate.

"(8) DEFINITION.—In this subsection, the term 'impact', used with respect to a Head Start program, means a difference in an outcome for a participant in the program that would not have occurred without the participation in the program.

"(h) QUALITY IMPROVEMENT STUDY.—

"(1) STUDY.—The Secretary shall conduct a study regarding the use and effects of use of the quality improvement funds made available under section 640(a)(3) of the Head Start Act (42 U.S.C. 9835(a)(3)) since fiscal year 1991.

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

"(A) the types of activities funded with the quality improvement funds;

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

"(C) the effect of use of the quality improvement funds on teacher training, salaries, benefits, recruitment, and retention; and

"(D) the effect of use of the quality improvement funds on the cognitive and social development of children receiving services under this subchapter.".

SEC. 118. REPEAL.

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

TITLE II—COMMUNITY SERVICES BLOCK GRANT PROGRAM

SEC. 201. REAUTHORIZATION.

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

"Subtitle B—Community Services Block Grant Program

"SEC. 671. SHORT TITLE.

"This subtitle may be cited as the 'Community Services Block Grant Act'.

"SEC. 672. PURPOSES AND GOALS.

"The purposes of this subtitle are—

"(1) to provide financial assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient (particularly families who are attempting to transition off a State program carried out under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.)); and

"(2) to accomplish the goals described in paragraph (1) through—

"(A) the strengthening of community capabilities for planning and coordinating the use of a broad range of Federal, State, and other assistance related to the elimination of poverty, so that this assistance can be used in a manner responsive to local needs and conditions;

"(B) the organization of a range of services related to the needs of low-income families and individuals, so that these services may have a measurable and potentially major impact on the causes of poverty in the community and may

help the families and individuals to achieve self-sufficiency;

"(C) the use of innovative and effective community-based approaches to attacking the causes and effects of poverty and of community breakdown;

"(D) the development and implementation of all programs designated to serve low-income communities and groups with the maximum feasible participation of residents of the communities and members of the groups served, so as to best stimulate and take full advantage of capabilities for self-advancement and assure that the programs are otherwise meaningful to the intended beneficiaries of the programs; and

"(E) the broadening of the resource base of programs directed to the elimination of poverty.

"SEC. 673. DEFINITIONS.

"In this subtitle:

"(1) ELIGIBLE ENTITY.—The term 'eligible entity' means an entity—

"(A) that is an eligible entity described in section 673(1) (as in effect on the day before the date of enactment of the Coats Human Services Reauthorization Act of 1998) as of the day before

such date of enactment or is designated by the process described in section 676A (including an organization serving migrant or seasonal farmworkers that is so described or designated); and

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

"(2) POVERTY LINE.—The term 'poverty line' means the official poverty line defined by the Office of Management and Budget based on Bureau of the Census data. The Secretary shall revise annually (or at any shorter interval the Secretary determines to be feasible and desirable) the poverty line, which shall be used as a criterion of eligibility in the community services block grant program established under this subtitle. The required revision shall be accomplished by multiplying the official poverty line by the percentage change in the Consumer Price Index for All Urban Consumers during the annual or other interval immediately preceding the time at which the revision is made. Whenever a State determines that it serves the objectives of the block grant program established under this subtitle, the State may revise the poverty line to not to exceed 125 percent of the official poverty line otherwise applicable under this paragraph.

"(3) PRIVATE, NONPROFIT ORGANIZATION.—The term 'private, nonprofit organization' includes a faith-based organization, to which the provisions of section 679 shall apply.

"(4) SECRETARY.—The term 'Secretary' means the Secretary of Health and Human Services.

"(5) STATE.—The term 'State' means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the United States Virgin Islands, American Samoa, the Commonwealth of the Northern Mariana Islands, and the combined Freely Associated States.

"SEC. 674. AUTHORIZATION OF APPROPRIATIONS.

"(a) IN GENERAL.—There are authorized to be appropriated $625,000,000 for fiscal year 1999 and such sums as may be necessary for each of fiscal years 2000 through 2003 to carry out the provisions of this subtitle (other than sections 681 and 682).

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

"(1) ½ of 1 percent for carrying out section 675A (relating to payments for territories);

"(2) not less than ½ of 1 percent and not more than 1 percent for activities authorized in section

678A (relating to training and technical assistance); and

"(3) 9 percent for carrying out section 680 (relating to discretionary activities).

"SEC. 675. ESTABLISHMENT OF BLOCK GRANT PROGRAM.

"The Secretary is authorized to establish a community services block grant program and make grants through the program to States to ameliorate the causes of poverty in communities within the States.

"SEC. 675A. DISTRIBUTION TO TERRITORIES.

"(a) APPORTIONMENT.—The Secretary shall apportion the amount reserved under section 674(b)(1) for each fiscal year on the basis of need among Guam, American Samoa, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the combined Freely Associated States.

"(b) APPLICATION.—Each jurisdiction to which subsection (a) applies may receive a grant under this subtitle for the amount apportioned under subsection (a) on submitting to the Secretary, and obtaining approval of, an application, containing provisions that describe the programs for which assistance is sought under this subtitle, that is prepared in accordance with, and contains the information described in, section 676.

"SEC. 675B. ALLOTMENTS AND PAYMENTS TO STATES.

"(a) ALLOTMENTS IN GENERAL.—The Secretary shall, from the amount appropriated under section 674(a) for each fiscal year that remains after the Secretary makes the reservations required in section 674(b), allot to each State (subject to section 677) an amount that bears the same ratio to such remaining amount as the amount received by the State for fiscal year 1981 under section 221 of the Economic Opportunity Act of 1964 bore to the total amount received by all States for fiscal year 1981 under such section, except that no State shall receive less than ¼ of 1 percent of the amount appropriated under section 674(a) for such fiscal year.

"(b) ALLOTMENTS IN YEARS WITH GREATER AVAILABLE FUNDS.—

"(1) MINIMUM ALLOTMENTS.—Subject to paragraphs (2) and (3), if the amount appropriated under section 674(a) for a fiscal year that remains after the Secretary makes the reservations required in section 674(b) exceeds $345,000,000, the Secretary shall allot to each State not less than ½ of 1 percent of the amount appropriated under section 674(a) for such fiscal year.

"(2) MAINTENANCE OF FISCAL YEAR 1990 LEVELS.—Paragraph (1) shall not apply with respect to a fiscal year if the amount allotted under subsection

(a) to any State for that year is less than the amount allotted under section 674(a)(1) (as in effect on September 30, 1989) to such State for fiscal year 1990.

"(3) MAXIMUM ALLOTMENTS.—The amount allotted under paragraph (1) to a State for a fiscal year shall be reduced, if necessary, so that the aggregate amount allotted to such State under such paragraph and subsection (a) does not exceed 140 percent of the aggregate amount allotted to such State under the corresponding provisions of this subtitle for the preceding fiscal year.

"(c) PAYMENTS.—The Secretary shall make grants to eligible States for the allotments described in subsections (a) and (b). The Secretary shall make payments for the grants in accordance with section 6503(a) of title 31, United States Code.

"(d) DEFINITION.—For purposes of this section, the term 'State' does not include Guam, American Samoa, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, and the Freely Associated States.

"SEC. 675C. USES OF FUNDS.

"(a) GRANTS TO ELIGIBLE ENTITIES AND OTHER ORGANIZATIONS.—

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

"(2) OBLIGATIONAL AUTHORITY.—Funds distributed to eligible entities through grants made in accordance with paragraph (1) for a fiscal year shall be available for obligation during that fiscal year and the succeeding fiscal year, in accordance with paragraph (3).

"(3) RECAPTURE AND REDISTRIBUTION OF UNOBLIGATED FUNDS.—

"(A) AMOUNT.—Beginning on October 1, 2000, a State may recapture and redistribute funds distributed to an eligible entity through a grant made under paragraph (1) that are unobligated at the end of a fiscal year if such unobligated funds exceed 20 percent of the amount so distributed to such eligible entity for such fiscal year.

"(B) REDISTRIBUTION.—In redistributing funds recaptured in accordance with this paragraph, States shall redistribute such funds to an eligible entity, or require the original recipient of

the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of this subtitle.

"(b) OTHER ACTIVITIES.—

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

"(A) providing training and technical assistance to those entities in need of such training and assistance;

"(B) coordinating State-operated programs and services targeted to low-income children and families with services provided by eligible entities and other organizations funded under this subtitle, including detailing appropriate employees of State or local agencies to entities funded under this subtitle, to ensure increased access to services provided by such State or local agencies;

"(C) supporting statewide coordination and communication among eligible entities;

"(D) analyzing the distribution of funds made available under this subtitle within the State to determine if such funds have been targeted to the areas of greatest need;

"(E) supporting asset-building programs for low-income individuals, such as programs supporting individual development accounts;

"(F) supporting innovative programs and activities conducted by community action agencies or other neighborhood-based organizations to eliminate poverty, promote self-sufficiency, and promote community revitalization; and

"(G) supporting other activities, consistent with the purposes of this subtitle.

"(2) ADMINISTRATIVE CAP.—No State may spend more than the greater of $55,000, or 5 percent, of the State allotment for administrative expenses, including monitoring activities. The cost of activities conducted under paragraph (1)(A) shall not be considered to be administrative expenses.

"SEC. 676. APPLICATION AND PLAN.

"(a) DESIGNATION OF LEAD AGENCY.—

"(1) DESIGNATION.—The chief executive officer of a State desiring to receive an allotment under this subtitle shall designate, in an application submitted

to the Secretary under subsection (b), an appropriate State agency that complies with the requirements of paragraph (2) to act as a lead agency for purposes of carrying out State activities under this subtitle.

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

"(A) develop the State plan to be submitted to the Secretary under subsection (b);

"(B) in conjunction with the development of the State plan as required under subsection (b), hold at least one hearing in the State with sufficient time, and statewide distribution of notice of such hearing, to provide to the public an opportunity to comment on the proposed use and distribution of funds to be provided through the allotment for the period covered by the State plan; and

"(C) conduct reviews of eligible entities under section 678B.

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

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

"(1) an assurance that funds made available through the allotment will be used to support activities that are designed to assist low-income families and individuals, including homeless families and individuals, migrant or seasonal farmworkers, and elderly low-income individuals and families, and a description of how such activities will enable the families and individuals—

"(A) to remove obstacles and solve problems that block the achievement of self-sufficiency;

"(B) to secure and retain meaningful employment;

"(C) to attain an adequate education;

"(D) to make better use of available income;

"(E) to obtain and maintain adequate housing and a suitable living environment;

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

"(G) to achieve greater participation in the affairs of the community involved; and

"(H) to make more effective use of other programs related to the purposes of this subtitle (including State welfare reform efforts);

"(2) a description of how the State intends to use discretionary funds made available from the remainder of the allotment described in section 675C(b) in accordance with this subtitle, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of this subtitle;

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

"(A) the service delivery system, for services provided or coordinated with funds made available through the allotment, targeted to low-income individuals and families in communities within the State;

"(B) how linkages will be developed to fill identified gaps in the services, through the provi-

sion of information, referrals, case management, and followup consultations;

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

"(D) how the funds will be used to support innovative community and neighborhood-based initiatives related to the purposes of this subtitle;

"(4) an assurance that the State will provide, on an emergency basis, for the provision of such supplies and services, nutritious foods, and related services, as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals;

"(5) an assurance that the State will coordinate, and establish linkages between, governmental and other social services programs to assure the effective delivery of such services to low-income individuals;

"(6) an assurance that the State will ensure coordination between antipoverty programs in each community, and ensure, where appropriate, that emergency energy crisis intervention programs under title XXVI (relating to low-income home energy assistance) are conducted in such community;

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

"(8) an assurance that any eligible entity that received funding in the previous fiscal year under this subtitle will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction, subject to review by the Secretary as provided in section 678C(b);

"(9) an assurance that the State will, to the maximum extent possible, coordinate programs with and form partnerships with other organizations serving low-income residents of the communities and members of the groups served by the State, including faith-based organizations, charitable groups, and community organizations;

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

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

"(11) an assurance that the State will secure from each eligible entity, as a condition to receipt of funding by the entity under this subtitle for a program, a community action plan (which shall be submitted to the Secretary, at the request of the Secretary, with the State plan) that includes a community-needs assessment for the community served, which may be coordinated with community-needs assessments conducted for other programs;

"(12) an assurance that the State and all eligible entities in the State will, not later than fiscal year 2002, participate in the Results Oriented Management and Accountability System, any other performance measure system established by the Secretary under section 678E(b), or an alternative system for measuring performance and results that meets the requirements of that section, and a description of outcome measures to be used to measure eligible entity performance in promoting self-sufficiency, family stability, and community revitalization; and

"(13) information describing how the State will carry out the assurances described in this subsection.

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

"(1) a funding reduction, the term 'cause' includes—

"(A) a statewide redistribution of funds provided under this subtitle to respond to—

"(i) the results of the most recently available census or other appropriate data;

"(ii) the designation of a new eligible entity; or

"(iii) severe economic dislocation; or

"(B) the failure of an eligible entity to comply with the terms of an agreement to provide services under this subtitle; and

"(2) a termination, the term 'cause' includes the material failure of an eligible entity to comply with the terms of such an agreement and the State plan to provide services under this subtitle or the consistent failure of the entity to achieve performance measures as determined by the State.

"(d) PROCEDURES.—The Secretary may prescribe procedures relating to the implementation of this section only for the purpose of assessing the effectiveness of eligible entities in carrying out the purposes of this subtitle.

"(e) REVISIONS AND INSPECTION.—

"(1) REVISIONS.—The chief executive officer of each State may revise any plan prepared under this section and shall submit the revised plan to the Secretary.

"(2) PUBLIC INSPECTION.—Each plan or revised plan prepared under this section shall be made available for public inspection within the State in such a manner as will facilitate review of, and comment on, the plan.

"(f) FISCAL YEAR 1999.—For fiscal year 2000, to be eligible to receive an allotment under this subtitle, a State shall prepare and submit to the Secretary an application and State plan in accordance with the provisions of this subtitle (as in effect on the day before the date of enactment of the Coats Human Services Reauthorization Act of 1998), rather than the provisions of subsections (a) through (c) relating to applications and plans.

"SEC. 676A. DESIGNATION AND REDESIGNATION OF ELIGIBLE ENTITIES IN UNSERVED AREAS.

"(a) QUALIFIED ORGANIZATION IN OR NEAR AREA.—

"(1) IN GENERAL.—If any geographic area of a State is not, or ceases to be, served by an eligible entity under this subtitle, and if the chief executive officer of the State decides to serve such area, the chief

executive officer may solicit applications from, and designate as an eligible entity, one or more—

"(A) private nonprofit organizations geographically located in the unserved area that meet the requirements of this subtitle; or

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

"(2) REQUIREMENT.—In order to serve as the eligible entity for the area, an entity described in paragraph (1)(B) shall agree to add additional members to the board of the entity to ensure adequate representation—

"(A) in each of the three required categories described in subparagraphs (A), (B), and (C) of section 676B(a)(2), by members that reside in the community comprised by the unserved area; and

"(B) in the category described in section 676B(a)(2)(B), by members that reside in the neighborhood served.

"(b) SPECIAL CONSIDERATION.—In designating an eligible entity under subsection (a), the chief executive officer

shall grant the designation to an organization of demonstrated effectiveness in meeting the goals and purposes of this subtitle and may give priority, in granting the designation, to local entities that are providing services in the unserved area, consistent with the needs identified by a community-needs assessment.

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

"SEC. 676B. TRIPARTITE BOARDS.

"(a) PRIVATE NONPROFIT ENTITIES.—

"(1) BOARD.—In order for a private, nonprofit entity to be considered to be an eligible entity for purposes of section 673(1), the entity shall administer the community services block grant program through a tripartite board described in paragraph (2) that fully participates in the development, planning, and implementation of the program to serve low-income communities.

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

"(A) ⅓ of the members of the board are elected public officials, holding office on the date of selection, or their representatives, except that if the number of elected officials reasonably available and willing to serve on the board is less than ⅓ of the membership of the board, membership on the board of appointive public officials or their representatives may be counted in meeting such ⅓ requirement;

"(B) not fewer than ⅓ of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members are representative of low-income individuals and families in the neighborhood served;

"(C) the remainder of the members are officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the community served; and

"(D)(i) each member resides in the community; and

"(ii) each representative of low-income individuals and families selected to represent a specific neighborhood within a community under this paragraph resides in the neighborhood represented by the member.

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

"(1) a tripartite board, which shall have members selected by the organization and shall be composed so as to assure that not fewer than ⅓ of the members are persons chosen in accordance with democratic selection procedures adequate to assure that these members—

"(A) are representative of low-income individuals and families in the neighborhood served;

"(B) reside in the neighborhood served; and

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

"(2) another mechanism specified by the State to assure decisionmaking and participation by low-income individuals in the development, planning, and

implementation of programs funded under this subtitle.

"SEC. 677. PAYMENTS TO INDIAN TRIBES.

"(a) RESERVATION.—If, with respect to any State, the Secretary—

"(1) receives a request from the governing body of an Indian tribe or tribal organization within the State that assistance under this subtitle be made directly to such tribe or organization; and

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

the Secretary shall reserve from amounts that would otherwise be allotted to such State under section 675B for the fiscal year the amount determined under subsection (b).

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

"(c) AWARDS.—The sums reserved by the Secretary on the basis of a determination made under subsection (a) shall be made available by grant to the Indian tribe or tribal organization serving the individuals for whom such a determination has been made.

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

"(e) DEFINITIONS.—In this section:

"(1) INDIAN TRIBE; TRIBAL ORGANIZATION.—The terms 'Indian tribe' and 'tribal organization' mean a tribe, band, or other organized group recognized in the State in which the tribe, band, or group resides, or considered by the Secretary of the Interior, to be an Indian tribe or an Indian organization for any purpose.

"(2) INDIAN.—The term 'Indian' means a member of an Indian tribe or of a tribal organization.

"SEC. 678. OFFICE OF COMMUNITY SERVICES.

"(a) OFFICE.—The Secretary shall carry out the functions of this subtitle through an Office of Community Services, which shall be established in the Department of Health

and Human Services. The Office shall be headed by a Director.

"(b) GRANTS, CONTRACTS, COOPERATIVE AGREEMENTS.—The Secretary shall carry out functions of this subtitle through grants, contracts, or cooperative agreements.

"SEC. 678A. TRAINING AND TECHNICAL ASSISTANCE.

"(a) ACTIVITIES.—The Secretary shall use the amounts reserved in section 674(b)(2) for training, technical assistance, planning, evaluation, and data collection activities related to programs carried out under this subtitle.

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

"(1) ensure that the needs of eligible entities and programs relating to improving program quality, including financial management practices, are addressed to the maximum extent feasible; and

"(2) incorporate mechanisms to ensure responsiveness to local needs, including an ongoing procedure for obtaining input from the national and State networks of eligible entities.

"SEC. 678B. MONITORING OF ELIGIBLE ENTITIES.

"(a) IN GENERAL.—In order to determine whether eligible entities meet the performance goals, administrative standards, financial management requirements, and other requirements of a State, the State shall conduct the following reviews of eligible entities:

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

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

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

"(4) Other reviews as appropriate, including reviews of entities with programs that have had other Federal, State, or local grants (other than assistance provided under this subtitle) terminated for cause.

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

"SEC. 678C. CORRECTIVE ACTION; TERMINATION AND REDUCTION OF FUNDING.

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

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

"(2) require the entity to correct the deficiency;

"(3)(A) offer training and technical assistance, if appropriate, to help correct the deficiency, and prepare and submit to the Secretary a report describing the training and technical assistance offered; or

"(B) if the State determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination;

"(4)(A) at the discretion of the State (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), allow the entity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan to correct such deficiency within a reasonable period of time, as determined by the State; and

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

"(5) after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the funding under this subtitle of the eligible entity unless the entity corrects the deficiency.

"(b) REVIEW.—A determination to terminate the designation or reduce the funding of an eligible entity is reviewable by the Secretary. The Secretary shall, upon request, review such a determination. The review shall be completed not later than 60 days after the determination to terminate the designation or reduce the funding. If the review is not completed within 60 days, the determination of the State shall become final at the end of the 60th day.

"SEC. 678D. FISCAL CONTROLS, AUDITS, AND WITHHOLDING.

"(a) FISCAL CONTROLS, PROCEDURES, AUDITS, AND INSPECTIONS.—

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

"(A) establish fiscal control and fund accounting procedures necessary to assure the proper disbursal of and accounting for Federal funds paid to the State under this subtitle, including procedures for monitoring the funds provided under this subtitle;

"(B) ensure that cost and accounting standards of the Office of Management and Budget apply to a recipient of funds under this subtitle;

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

"(D) make appropriate books, documents, papers, and records available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for examination, copying, or mechanical reproduction on or off the premises of the appropriate entity upon a reasonable request for the items.

"(2) AUDITS.—Each audit required by subsection (a)(1)(C) shall be conducted by an entity independent of any agency administering activities or services carried out under this subtitle and shall be conducted in accordance with generally accepted accounting principles. Within 30 days after the completion of each such audit in a State, the chief executive officer of the State shall submit a copy of such audit to any eligible entity that was the subject of the audit at no charge, to the legislature of the State, and to the Secretary.

"(3) REPAYMENTS.—The State shall repay to the United States amounts found not to have been expended in accordance with this subtitle or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this subtitle.

"(b) WITHHOLDING.—

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

"(2) RESPONSE TO COMPLAINTS.—The Secretary shall respond in an expeditious and speedy manner to complaints of a substantial or serious nature that a State has failed to use funds in accordance with the provisions of this subtitle, including the assurances provided by the State under section 676. For purposes of this paragraph, a complaint of a failure to meet any one of the assurances provided under section 676 that constitutes disregarding that assurance shall be considered to be a complaint of a serious nature.

"(3) INVESTIGATIONS.—Whenever the Secretary determines that there is a pattern of complaints of failures described in paragraph (2) from any State in any fiscal year, the Secretary shall conduct an investigation of the use of funds received under this subtitle by such State in order to ensure compliance with the provisions of this subtitle.

"SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIREMENTS.

"(a) STATE ACCOUNTABILITY AND REPORTING REQUIREMENTS.—

"(1) PERFORMANCE MEASUREMENT.—

"(A) IN GENERAL.—By October 1, 2001, each State that receives funds under this subtitle shall participate, and shall ensure that all eligi-

ble entities in the State participate, in a performance measurement system, which may be a performance measurement system established by the Secretary pursuant to subsection (b), or an alternative system that the Secretary is satisfied meets the requirements of subsection (b).

"(B) LOCAL AGENCIES.—The State may elect to have local agencies that are subcontractors of the eligible entities under this subtitle participate in the performance measurement system. If the State makes that election, references in this section to eligible entities shall be considered to include the local agencies.

"(2) ANNUAL REPORT.—Each State shall annually prepare and submit to the Secretary a report on the measured performance of the State and the eligible entities in the State. Prior to the participation of the State in the performance measurement system, the State shall include in the report any information collected by the State relating to such performance. Each State shall also include in the report an accounting of the expenditure of funds received by the State through the community services block grant program, including an accounting of funds spent on administrative costs by the State and the eligible entities, and

funds spent by eligible entities on the direct delivery of local services, and shall include information on the number of and characteristics of clients served under this subtitle in the State, based on data collected from the eligible entities. The State shall also include in the report a summary describing the training and technical assistance offered by the State under section 678C(a)(3) during the year covered by the report.

"(b) SECRETARY'S ACCOUNTABILITY AND REPORTING REQUIREMENTS.—

"(1) PERFORMANCE MEASUREMENT.—The Secretary, in collaboration with the States and with eligible entities throughout the Nation, shall establish one or more model performance measurement systems, which may be used by the States and by eligible entities to measure their performance in carrying out the requirements of this subtitle and in achieving the goals of community action plans. The Secretary shall provide technical assistance, including support for the enhancement of electronic data systems, to States and to eligible entities to enhance their capability to collect and report data for such a system and to aid in their participation in such a system.

"(2) REPORTING REQUIREMENTS.—At the end of each fiscal year beginning after September 30, 1999,

the Secretary shall, directly or by grant or contract, prepare a report containing each of the following elements:

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

"(B) A description of how funds were actually spent by the State and eligible entities in the State, including a breakdown of funds spent on administrative costs and on the direct delivery of local services by eligible entities.

"(C) Information on the number of entities eligible for funds under this subtitle, the number of low-income persons served under this subtitle, and such demographic data on the low-income populations served by eligible entities as is determined by the Secretary to be feasible.

"(D) A comparison of the planned uses of funds for each State and the actual uses of the funds.

"(E) A summary of each State's performance results, and the results for the eligible enti-

ties, as collected and submitted by the States in accordance with subsection (a)(2).

"(F) Any additional information that the Secretary considers to be appropriate to carry out this subtitle, if the Secretary informs the States of the need for such additional information and allows a reasonable period of time for the States to collect and provide the information.

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

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

"SEC. 678F. LIMITATIONS ON USE OF FUNDS.

"(a) CONSTRUCTION OF FACILITIES.—

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

"(2) WAIVER.—The Secretary may waive the limitation contained in paragraph (1) upon a State request for such a waiver, if the Secretary finds that the request describes extraordinary circumstances to justify the purchase of land or the construction of facilities (or the making of permanent improvements) and that permitting the waiver will contribute to the ability of the State to carry out the purposes of this subtitle.

"(b) POLITICAL ACTIVITIES.—

"(1) TREATMENT AS A STATE OR LOCAL AGENCY.—For purposes of chapter 15 of title 5, United States Code, any entity that assumes responsibility for planning, developing, and coordinating activities under this subtitle and receives assistance under this

subtitle shall be deemed to be a State or local agency. For purposes of paragraphs (1) and (2) of section 1502(a) of such title, any entity receiving assistance under this subtitle shall be deemed to be a State or local agency.

"(2) PROHIBITIONS.—Programs assisted under this subtitle shall not be carried on in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel, in a manner supporting or resulting in the identification of such programs with—

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

"(B) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election; or

"(C) any voter registration activity.

"(3) RULES AND REGULATIONS.—The Secretary, after consultation with the Office of Personnel Management, shall issue rules and regulations to provide for the enforcement of this subsection, which shall include provisions for summary suspension of assistance

or other action necessary to permit enforcement on an emergency basis.

"(c) NONDISCRIMINATION.—

"(1) IN GENERAL.—No person shall, on the basis of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds made available under this subtitle. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), or title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.) shall also apply to any such program or activity.

"(2) ACTION OF SECRETARY.—Whenever the Secretary determines that a State that has received a payment under this subtitle has failed to comply with paragraph (1) or an applicable regulation, the Secretary shall notify the chief executive officer of the State and shall request that the officer secure compliance. If within a reasonable period of time, not to ex-

ceed 60 days, the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to—

"(A) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted;

"(B) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.), section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), or title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131), as may be applicable; or

"(C) take such other action as may be provided by law.

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

"SEC. 679. OPERATIONAL RULE.

"(a) FAITH-BASED ORGANIZATIONS INCLUDED AS NONGOVERNMENTAL PROVIDERS.—For any program carried out by the Federal Government, or by a State or local government under this subtitle, the government shall consider, on the same basis as other nongovernmental organizations, faith-based organizations to provide the assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution. Neither the Federal Government nor a State or local government receiving funds under this subtitle shall discriminate against an organization that provides assistance under, or applies to provide assistance under, this subtitle, on the basis that the organization has a faith-based character.

"(c) FAITH-BASED CHARACTER AND INDEPENDENCE.—

"(1) IN GENERAL.—A faith-based organization that provides assistance under a program described in subsection (a) shall retain its faith-based character and control over the definition, development, practice, and expression of its faith-based beliefs.

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

"(A) to alter its form of internal governance, except (for purposes of administration of the community services block grant program) as provided in section 676B; or

"(B) to remove religious art, icons, scripture, or other symbols;

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

"(3) TENETS AND TEACHINGS.—A faith-based organization that provides assistance under a program described in subsection (a) may require that employees adhere to the religious tenets and teachings of such organization, and such organization may require that employees adhere to rules forbidding the use of drugs or alcohol.

"(c) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided through a grant or contract to a faith-based organization to provide assistance under any program described in subsection (a) shall be expended for sectarian worship, instruction, or proselytization.

"(d) FISCAL ACCOUNTABILITY.—

"(1) IN GENERAL.—Except as provided in paragraph (2), any faith-based organization providing assistance under any program described in subsection (a) shall be subject to the same regulations as other nongovernmental organizations to account in accord

with generally accepted accounting principles for the use of such funds provided under such program.

"(2) LIMITED AUDIT.—Such organization shall segregate government funds provided under such program into a separate account. Only the government funds shall be subject to audit by the government.

"(e) TREATMENT OF ELIGIBLE ENTITIES AND OTHER INTERMEDIATE ORGANIZATIONS.—If an eligible entity or other organization (referred to in this subsection as an 'intermediate organization'), acting under a contract, or grant or other agreement, with the Federal Government or a State or local government, is given the authority under the contract or agreement to select nongovernmental organizations to provide assistance under the programs described in subsection (a), the intermediate organization shall have the same duties under this section as the government.

"SEC. 680. DISCRETIONARY AUTHORITY OF THE SECRETARY.

"(a) GRANTS, CONTRACTS, ARRANGEMENTS, LOANS, AND GUARANTEES.—

"(1) IN GENERAL.—The Secretary shall, from funds reserved under section 674(b)(3), make grants, loans, or guarantees to States and public agencies and private, nonprofit organizations, or enter into contracts or jointly financed cooperative arrange-

ments with States and public agencies and private, nonprofit organizations (and for-profit organizations, to the extent specified in paragraph (2)(E)) for each of the objectives described in paragraphs (2) through (4).

"(2) COMMUNITY ECONOMIC DEVELOPMENT.—

"(A) ECONOMIC DEVELOPMENT ACTIVITIES.—The Secretary shall make grants described in paragraph (1) on a competitive basis to private, nonprofit organizations that are community development corporations to enable the corporations to provide technical and financial assistance for economic development activities designed to address the economic needs of low-income individuals and families by creating employment and business development opportunities.

"(B) CONSULTATION.—The Secretary shall exercise the authority provided under subparagraph (A) after consultation with other relevant Federal officials.

"(C) GOVERNING BOARDS.—For a community development corporation to receive funds to carry out this paragraph, the corporation shall be governed by a board that shall consist of resi-

dents of the community and business and civic leaders and shall have as a principal purpose planning, developing, or managing low-income housing or community development projects.

"(D) GEOGRAPHIC DISTRIBUTION.—In making grants to carry out this paragraph, the Secretary shall take into consideration the geographic distribution of funding among States and the relative proportion of funding among rural and urban areas.

"(E) RESERVATION.—Of the amounts made available to carry out this paragraph, the Secretary may reserve not more than 1 percent for each fiscal year to make grants to private, nonprofit organizations, or to enter into contracts with private, nonprofit or for-profit organizations, to enable the organizations involved to provide technical assistance to aid community development corporations in developing or implementing activities funded to carry out this paragraph and to evaluate activities funded to carry out this paragraph.

"(3) RURAL COMMUNITY DEVELOPMENT ACTIVITIES.—The Secretary shall provide the assistance de-

scribed in paragraph (1) for rural community development activities, which shall include providing—

"(A) grants to private, nonprofit corporations to enable the corporations to provide assistance concerning home repair to rural low-income families and concerning planning and developing low-income rural rental housing units; and

"(B) grants to multistate, regional, private, nonprofit organizations to enable the organizations to provide training and technical assistance to small, rural communities concerning meeting their community facility needs.

"(4) NEIGHBORHOOD INNOVATION PROJECTS.—The Secretary shall provide the assistance described in paragraph (1) for neighborhood innovation projects, which shall include providing grants to neighborhood-based private, nonprofit organizations to test or assist in the development of new approaches or methods that will aid in overcoming special problems identified by communities or neighborhoods or otherwise assist in furthering the purposes of this subtitle, and which may include providing assistance for projects that are designed to serve low-income individuals and families who are not being effectively served by other programs.

"(b) EVALUATION.—The Secretary shall require all activities receiving assistance under this section to be evaluated for their effectiveness. Funding for such evaluations shall be provided as a stated percentage of the assistance or through a separate grant awarded by the Secretary specifically for the purpose of evaluation of a particular activity or group of activities.

"(c) ANNUAL REPORT.—The Secretary shall compile an annual report containing a summary of the evaluations required in subsection (b) and a listing of all activities assisted under this section. The Secretary shall annually submit the report to the Chairperson of the Committee on Education and the Workforce of the House of Representatives and the Chairperson of the Committee on Labor and Human Resources of the Senate.

"SEC. 681. COMMUNITY FOOD AND NUTRITION PROGRAMS.

"(a) GRANTS.—The Secretary may, through grants to public and private, nonprofit agencies, provide for community-based, local, statewide, and national programs—

"(1) to coordinate private and public food assistance resources, wherever the grant recipient involved determines such coordination to be inadequate, to better serve low-income populations;

"(2) to assist low-income communities to identify potential sponsors of child nutrition programs

and to initiate such programs in underserved or unserved areas; and

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

"(b) ALLOTMENTS AND DISTRIBUTION OF FUNDS.—

"(1) NOT TO EXCEED $6,000,000 IN APPROPRIATIONS.—Of the amount appropriated for a fiscal year to carry out this section (but not to exceed $6,000,000), the Secretary shall distribute funds for grants under subsection (a) as follows:

"(A) ALLOTMENTS.—From a portion equal to 60 percent of such amount (but not to exceed $3,600,000), the Secretary shall allot for grants to eligible agencies for statewide programs in each State the amount that bears the same ratio to such portion as the low-income and unemployed population of such State bears to the low-income and unemployed population of all the States.

"(B) COMPETITIVE GRANTS.—From a portion equal to 40 percent of such amount (but not to exceed $2,400,000), the Secretary shall make grants on a competitive basis to eligible agencies for local and statewide programs.

"(2) GREATER AVAILABLE APPROPRIATIONS.—Any amounts appropriated for a fiscal year to carry out this section in excess of $6,000,000 shall be allotted as follows:

"(A) ALLOTMENTS.—The Secretary shall use 40 percent of such excess to make allotments for grants under subsection (a) to eligible agencies for statewide programs in each State in an amount that bears the same ratio to 40 percent of such excess as the low-income and unemployed population of such State bears to the low-income and unemployed population of all the States.

"(B) COMPETITIVE GRANTS FOR LOCAL AND STATEWIDE PROGRAMS.—The Secretary shall use 40 percent of such excess to make grants under subsection (a) on a competitive basis to eligible agencies for local and statewide programs.

"(C) COMPETITIVE GRANTS FOR NATIONWIDE PROGRAMS.—The Secretary shall use the remaining 20 percent of such excess to make grants under subsection (a) on a competitive basis to eligible agencies for nationwide programs, including programs benefiting Indians as defined in section 677 and migrant or seasonal farmworkers.

"(3) ELIGIBILITY FOR ALLOTMENTS FOR STATEWIDE PROGRAMS.—To be eligible to receive an allotment under paragraph (1)(A) or (2)(A), an eligible agency shall demonstrate that the proposed program is statewide in scope and represents a comprehensive and coordinated effort to alleviate hunger within the State.

"(4) MINIMUM ALLOTMENTS FOR STATEWIDE PROGRAMS.—

"(A) IN GENERAL.—From the amounts allotted under paragraphs (1)(A) and (2)(A), the minimum total allotment for each State for each fiscal year shall be—

"(i) $15,000 if the total amount appropriated to carry out this section is not less than $7,000,000 but less than $10,000,000;

"(ii) $20,000 if the total amount appropriated to carry out this section is not less than $10,000,000 but less than $15,000,000; or

"(iii) $30,000 if the total amount appropriated to carry out this section is not less than $15,000,000.

"(B) DEFINITION.—In this paragraph, the term 'State' does not include Guam, American

Samoa, the United States Virgin Islands, the Commonwealth of the Northern Mariana Islands, or the Freely Associated States.

"(5) MAXIMUM GRANTS.—From funds made available under paragraphs (1)(B) and (2)(B) for any fiscal year, the Secretary may not make grants under subsection (a) to an eligible agency in an aggregate amount exceeding $50,000. From funds made available under paragraph (2)(C) for any fiscal year, the Secretary may not make grants under subsection (a) to an eligible agency in an aggregate amount exceeding $300,000.

"(c) REPORT.—For each fiscal year, the Secretary shall prepare and submit, to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate, a report concerning the grants made under this section. Such report shall include—

"(1) a list of grant recipients;

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

"(3) a summary of the activities performed by the grant recipients with funding awarded under this section and a description of the manner in which

such activities meet the objectives described in subsection (a).

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

"SEC. 682. NATIONAL OR REGIONAL PROGRAMS DESIGNED TO PROVIDE INSTRUCTIONAL ACTIVITIES FOR LOW-INCOME YOUTH.

"(a) GENERAL AUTHORITY.—The Secretary is authorized to make a grant to an eligible service provider to administer national or regional programs to provide instructional activities for low-income youth. In making such a grant, the Secretary shall give priority to eligible service providers that have a demonstrated ability to operate such a program.

"(b) PROGRAM REQUIREMENTS.—Any instructional activity carried out by an eligible service provider receiving a grant under this section shall be carried out on the campus of an institution of higher education (as defined in section 1201(a) of the Higher Education Act of 1965 (20 U.S.C. 1141(a))) and shall include—

"(1) access to the facilities and resources of such an institution;

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

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

"(4) high quality instruction in a variety of sports (that shall include swimming and that may include dance and any other high quality recreational activity) provided by coaches and teachers from institutions of higher education and from elementary and secondary schools (as defined in section 14101 of the Elementary and Secondary Education Act of 1965 (20 U.S.C. 8801)); and

"(5) enrichment instruction and information on matters relating to the well-being of youth, to include educational opportunities and information on study practices, education for the prevention of drug and alcohol abuse, and information on health and nutrition, career opportunities, and family and job responsibilities.

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

"(1) ensure that—

"(A) a community-based advisory committee is established, with representatives from local youth, family, and social service organizations, schools, entities providing park and recreation services, and other community-based organizations serving high-risk youth; or

"(B) an existing community-based advisory board, commission, or committee with similar membership is utilized to serve as the committee described in subparagraph (A); and

"(2) enter into formal partnerships with youth-serving organizations or other appropriate social service entities in order to link program participants with year-round services in their home communities that support and continue the objectives of this subtitle.

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

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

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

"(3) the applicant agrees to use no funds from a grant authorized under this section for administrative expenses; and

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

"(e) APPLICATIONS PROCESS.—To be eligible to receive a grant under this section, a service provider shall submit to the Secretary, for approval, an application at such time, in such manner, and containing such information as the Secretary may require.

"(f) PROMULGATION OF REGULATIONS OR PROGRAM GUIDELINES.—The Secretary shall promulgate regulations or program guidelines to ensure funds made available through a grant made under this section are used in accordance with the objectives of this subtitle.

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

"SEC. 683. REFERENCES.

"Any reference in any provision of law to the poverty line set forth in section 624 or 625 of the Economic Opportunity Act of 1964 shall be construed to be a reference to the poverty line defined in section 673. Any reference in any provision of law to any community action agency designated under title II of the Economic Opportunity Act of 1964 shall be construed to be a reference to an entity eligible to receive funds under the community services block grant program.".

SEC. 202. CONFORMING AMENDMENTS.

(a) OLDER AMERICANS ACT OF 1965.—Section 306(a)(6)(E)(ii) of the Older Americans Act of 1965 (42 U.S.C. 3026(a)(6)(E)(ii)) is amended by striking "section 675(c)(3) of the Community Services Block Grant Act (42 U.S.C. 9904(c)(3))" and inserting "section 676B of the Community Services Block Grant Act".

(b) ANTI-DRUG ABUSE ACT OF 1988.—Section 3521(c)(2) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11841(c)(2)) is amended by striking ", such as activities authorized by section 681(a)(2)(F) of the Community Services Block Grant Act (42 U.S.C. section 9910(a)(2)(F)),".

SEC. 203. REPEALERS.

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

(b) HUMAN SERVICES REAUTHORIZATION ACT OF 1986.—Sections 407 and 408 of the Human Services Reauthorization Act of 1986 (42 U.S.C 9812a and 9910b) are repealed.

TITLE III—LOW-INCOME HOME ENERGY ASSISTANCE

SEC. 301. AUTHORIZATION.

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

(1) by striking "are authorized" and inserting "is authorized"; and

(2) by striking "fiscal years 1995 through 1999" and inserting "fiscal years 1999 through 2004".

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

"(c) Amounts appropriated under this section for any fiscal year for programs and activities under this title shall be made available for obligation in the succeeding fiscal year.".

(c) INCENTIVE PROGRAM FOR LEVERAGING NON-FEDERAL RESOURCES.—Section 2602(d) of such Act (42 U.S.C. 8621(d)) is amended—

(1) by striking "(d)" and inserting "(d)(1)";

(2) by striking "are authorized" and inserting "is authorized";

(3) by striking "$50,000,000" and all that follows and inserting the following: "$30,000,000 for each of fiscal years 1999 through 2004, except as provided in paragraph (2)."; and

(4) by adding at the end the following:

"(2) For any of fiscal years 1999 through 2004 for which the amount appropriated under subsection (b) is not less than $1,400,000,000, there is authorized to be appropriated $50,000,000 to carry out section 2607A.".

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

(1) by striking "are authorized" and inserting "is authorized"; and

(2) by striking "subsection (g)" and inserting "subsection (e) of such section".

SEC. 302. DEFINITIONS.

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

(1) by striking "the term" and inserting "The term"; and

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

SEC. 303. NATURAL DISASTERS AND OTHER EMERGENCIES.

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

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

(2) by inserting before paragraph (8) (as redesignated in paragraph (1)) the following:

"(7) NATURAL DISASTER.—The term 'natural disaster' means a weather event (relating to cold or hot weather), flood, earthquake, tornado, hurricane, or ice storm, or an event meeting such other criteria as the Secretary, in the discretion of the Secretary, may determine to be appropriate.";

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

(4) by inserting before paragraph (2) (as redesignated in paragraph (3)) the following:

"(1) EMERGENCY.—The term 'emergency' means—

"(A) a natural disaster;

"(B) a significant home energy supply shortage or disruption;

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

"(D) a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data;

"(E) a significant increase in participation in a public benefit program such as the food stamp program carried out under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.), the national program to provide supplemental security income carried out under title XVI of the Social Security Act (42 U.S.C. 1381 et seq.), or the State temporary assistance for needy families program carried out under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), as determined by the head of the appropriate Federal agency;

"(F) a significant increase in unemployment, layoffs, or the number of households with an individual applying for unemployment benefits, as determined by the Secretary of Labor; or

"(G) an event meeting such criteria as the Secretary, in the discretion of the Secretary, may determine to be appropriate.".

SEC. 304. STATE ALLOTMENTS.

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

(1) in subsection (b)(1), by striking "the Northern Mariana Islands, and the Trust Territory of the Pacific Islands." and inserting "the Commonwealth

of the Northern Mariana Islands, and the combined Freely Associated States.";

(2) in subsection (c)(3)(B)(ii), by striking "application" and inserting "applications";

(3) by striking subsection (f);

(4) in subsection (g)—

(A) in the first sentence, by striking "(a) through (f)" and inserting "(a) through (d)"; and

(B) by striking the last two sentences and inserting the following: "In determining whether to make such an allotment to a State, the Secretary shall take into account the extent to which the State was affected by the natural disaster or other emergency involved, the availability to the State of other resources under the program carried out under this title or any other program, whether a Member of Congress has requested that the State receive the allotment, and such other factors as the Secretary may find to be relevant. Not later than 30 days after making the determination, but prior to releasing an allotted amount to a State, the Secretary shall notify Congress of the allotments made pursuant to this subsection."; and

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

SEC. 305. ADMINISTRATION.

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

(1) in subsection (b)—

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

(B) in paragraph (14), by striking "; and" and inserting a semicolon;

(C) in the matter following paragraph (14), by striking "The Secretary may not prescribe the manner in which the States will comply with the provisions of this subsection."; and

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

(2) in subsection (c)(1)—

(A) in subparagraph (B), by striking "States" and inserting "State"; and

(B) in subparagraph (G)(i), by striking "has" and inserting "had".

SEC. 306. PAYMENTS TO STATES.

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

(1) in the first sentence, by striking "and not transferred pursuant to section 2604(f)"; and

(2) in the second sentence, by striking "but not transferred by the State".

SEC. 307. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE OPTION.

(a) EVALUATION.—The Comptroller General of the United States shall conduct an evaluation of the Residential Energy Assistance Challenge program described in section 2607B of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8626b).

(b) REPORT.—Not later than 2 years after the date of enactment of this Act, the Comptroller General of the United States shall prepare and submit to Congress a report containing—

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

(2) the State evaluations described in paragraphs (1) and (2) of subsection (b) of such section 2607B.

(c) INCENTIVE GRANTS.—Section 2607B(b)(1) of the Low-Income Home Energy Assistance Act of 1981 (42

U.S.C. 8626b(b)(1)) is amended by striking "For each of the fiscal years 1996 through 1999" and inserting "For each fiscal year".

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

(1) in subsection (e)(2)—

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

(B) in clause (i) of subparagraph (I) (as redesignated in subparagraph (A)), by striking "on" and inserting "of"; and

(2) by redesignating subsection (g) as subsection (f).

SEC. 308. TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE REVIEWS.

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

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

(A) by striking "$250,000" and inserting "$300,000"; and

(B) by striking "Secretary—" and inserting "Secretary to conduct onsite compliance reviews

of programs supported under this title or—"; and

(2) in paragraph (2)—

(A) by inserting "or interagency agreements" after "cooperative arrangements"; and

(B) by inserting "(including Federal agencies)" after "public agencies".

(b) CONFORMING AMENDMENT.—The section heading of section 2609A of such Act (42 U.S.C. 8628a) is amended to read as follows:

"TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE REVIEWS".

TITLE IV—ASSETS FOR INDEPENDENCE

SEC. 401. SHORT TITLE.

This title may be cited as the "Assets for Independence Act".

SEC. 402. FINDINGS.

Congress makes the following findings:

(1) Economic well-being does not come solely from income, spending, and consumption, but also requires savings, investment, and accumulation of assets because assets can improve economic independence and stability, connect individuals with a viable and hopeful future, stimulate development of human

and other capital, and enhance the welfare of offspring.

(2) Fully ½ of all Americans have either no, negligible, or negative assets available for investment, just as the price of entry to the economic mainstream, the cost of a house, an adequate education, and starting a business, is increasing. Further, the household savings rate of the United States lags far behind other industrial nations, presenting a barrier to economic growth.

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

(4) Traditional public assistance programs concentrating on income and consumption have rarely been successful in promoting and supporting the transition to increased economic self-sufficiency. Income-based domestic policy should be complemented with asset-based policy because, while income-based policies ensure that consumption needs (including food, child care, rent, clothing, and health care) are met, asset-

based policies provide the means to achieve greater independence and economic well-being.

SEC. 403. PURPOSES.

The purposes of this title are to provide for the establishment of demonstration projects designed to determine—

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

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

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

SEC. 404. DEFINITIONS.

In this title:

(1) APPLICABLE PERIOD.—The term "applicable period" means, with respect to amounts to be paid from a grant made for a project year, the calendar year immediately preceding the calendar year in which the grant is made.

(2) ELIGIBLE INDIVIDUAL.—The term "eligible individual" means an individual who is selected to participate by a qualified entity under section 409.

(3) EMERGENCY WITHDRAWAL.—The term "emergency withdrawal" means a withdrawal by an eligible individual that—

(A) is a withdrawal of only those funds, or a portion of those funds, deposited by the individual in the individual development account of the individual;

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

(C) is made for—

(i) expenses for medical care or necessary to obtain medical care, for the individual or a spouse or dependent of the individual described in paragraph (8)(D);

(ii) payments necessary to prevent the eviction of the individual from the residence of the individual, or foreclosure on the mortgage for the principal residence of the individual, as defined in paragraph (8)(B); or

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

(4) HOUSEHOLD.—The term "household" means all individuals who share use of a dwelling unit as primary quarters for living and eating separate from other individuals.

(5) INDIVIDUAL DEVELOPMENT ACCOUNT.—

(A) IN GENERAL.—The term "individual development account" means a trust created or organized in the United States exclusively for the purpose of paying the qualified expenses of an eligible individual, or enabling the eligible individual to make an emergency withdrawal, but only if the written governing instrument creating the trust meets the following requirements:

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

(ii) The trustee is a federally insured financial institution, or a State insured financial institution if no federally insured financial institution is available.

(iii) The assets of the trust will be invested in accordance with the direction of the eligible individual after consultation with the qualified entity providing deposits for the individual under section 410.

(iv) The assets of the trust will not be commingled with other property except in a common trust fund or common investment fund.

(v) Except as provided in clause (vi), any amount in the trust which is attributable to a deposit provided under section 410 may be paid or distributed out of the trust only for the purpose of paying the qualified expenses of the eligible individual, or enabling the eligible individual to make an emergency withdrawal.

(vi) Any balance in the trust on the day after the date on which the individual for whose benefit the trust is established dies shall be distributed within 30 days of that date as directed by that individual to another individual development account established for the benefit of an eligible individual.

(B) CUSTODIAL ACCOUNTS.—For purposes of subparagraph (A), a custodial account shall be treated as a trust if the assets of the custodial account are held by a bank (as defined in section 408(n) of the Internal Revenue Code of 1986) or

another person who demonstrates, to the satisfaction of the Secretary, that the manner in which such person will administer the custodial account will be consistent with the requirements of this title, and if the custodial account would, except for the fact that it is not a trust, constitute an individual development account described in subparagraph (A). For purposes of this title, in the case of a custodial account treated as a trust by reason of the preceding sentence, the custodian of that custodial account shall be treated as the trustee thereof.

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

(7) QUALIFIED ENTITY.—

(A) IN GENERAL.—The term "qualified entity" means—

(i) one or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code; or

(ii) a State or local government agency, or a tribal government, submitting an application under section 405 jointly with an organization described in clause (i).

(B) RULE OF CONSTRUCTION.—Nothing in this paragraph shall be construed as preventing an organization described in subparagraph (A)(i) from collaborating with a financial institution or for-profit community development corporation to carry out the purposes of this title.

(8) QUALIFIED EXPENSES.—The term "qualified expenses" means one or more of the following, as provided by the qualified entity:

(A) POSTSECONDARY EDUCATIONAL EXPENSES.—Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution. In this subparagraph:

(i) POSTSECONDARY EDUCATIONAL EXPENSES.—The term "postsecondary educational expenses" means the following:

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

(II) FEES, BOOKS, SUPPLIES, AND EQUIPMENT.—Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

(ii) ELIGIBLE EDUCATIONAL INSTITUTION.—The term "eligible educational institution" means the following:

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

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections

are in effect on the date of enactment of this title.

(B) FIRST-HOME PURCHASE.—Qualified acquisition costs with respect to a principal residence for a qualified first-time homebuyer, if paid from an individual development account directly to the persons to whom the amounts are due. In this subparagraph:

(i) PRINCIPAL RESIDENCE.—The term "principal residence" means a principal residence, the qualified acquisition costs of which do not exceed 100 percent of the average area purchase price applicable to such residence.

(ii) QUALIFIED ACQUISITION COSTS.—The term "qualified acquisition costs" means the costs of acquiring, constructing, or reconstructing a residence. The term includes any usual or reasonable settlement, financing, or other closing costs.

(iii) QUALIFIED FIRST-TIME HOMEBUYER.—

(I) IN GENERAL.—The term "qualified first-time homebuyer" means an individual participating in

the project (and, if married, the individual's spouse) who has no present ownership interest in a principal residence during the 3-year period ending on the date of acquisition of the principal residence to which this subparagraph applies.

(II) DATE OF ACQUISITION.—The term "date of acquisition" means the date on which a binding contract to acquire, construct, or reconstruct the principal residence to which this subparagraph applies is entered into.

(C) BUSINESS CAPITALIZATION.—Amounts paid from an individual development account directly to a business capitalization account which is established in a federally insured financial institution and is restricted to use solely for qualified business capitalization expenses. In this subparagraph:

(i) QUALIFIED BUSINESS CAPITALIZATION EXPENSES.—The term "qualified business capitalization expenses" means qualified expenditures for the capitalization of a

qualified business pursuant to a qualified plan.

(ii) QUALIFIED EXPENDITURES.—The term "qualified expenditures" means expenditures included in a qualified plan, including capital, plant, equipment, working capital, and inventory expenses.

(iii) QUALIFIED BUSINESS.—The term "qualified business" means any business that does not contravene any law or public policy (as determined by the Secretary).

(iv) QUALIFIED PLAN.—The term "qualified plan" means a business plan, or a plan to use a business asset purchased, which—

(I) is approved by a financial institution, a microenterprise development organization, or a nonprofit loan fund having demonstrated fiduciary integrity;

(II) includes a description of services or goods to be sold, a marketing plan, and projected financial statements; and

(III) may require the eligible individual to obtain the assistance of an experienced entrepreneurial adviser.

(D) TRANSFERS TO IDAS OF FAMILY MEMBERS.—Amounts paid from an individual development account directly into another such account established for the benefit of an eligible individual who is—

(i) the individual's spouse; or

(ii) any dependent of the individual with respect to whom the individual is allowed a deduction under section 151 of the Internal Revenue Code of 1986.

(9) QUALIFIED SAVINGS OF THE INDIVIDUAL FOR THE PERIOD.—The term "qualified savings of the individual for the period" means the aggregate of the amounts contributed by the individual to the individual development account of the individual during the period.

(10) SECRETARY.—The term "Secretary" means the Secretary of Health and Human Services.

(11) TRIBAL GOVERNMENT.—The term "tribal government" means a tribal organization, as defined in section 4 of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450b) or a Na-

tive Hawaiian organization, as defined in section 9212 of the Native Hawaiian Education Act (20 U.S.C. 7912).

SEC. 405. APPLICATIONS.

(a) ANNOUNCEMENT OF DEMONSTRATION PROJECTS.—Not later than 3 months after the date of enactment of this title, the Secretary shall publicly announce the availability of funding under this title for demonstration projects and shall ensure that applications to conduct the demonstration projects are widely available to qualified entities.

(b) SUBMISSION.—Not later than 6 months after the date of enactment of this title, a qualified entity may submit to the Secretary an application to conduct a demonstration project under this title.

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

(1) SUFFICIENCY OF PROJECT.—The degree to which the project described in the application appears likely to aid project participants in achieving economic self-sufficiency through activities requiring qualified expenses. In making such assessment, the Secretary shall consider the overall quality of project activities in making any particular kind or combina-

tion of qualified expenses to be an essential feature of any project.

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

(3) ABILITY TO ASSIST PARTICIPANTS.—The experience and ability of the applicant in recruiting, educating, and assisting project participants to increase their economic independence and general well-being through the development of assets.

(4) COMMITMENT OF NON-FEDERAL FUNDS.—The aggregate amount of direct funds from non-Federal public sector and from private sources that are formally committed to the project as matching contributions.

(5) ADEQUACY OF PLAN FOR PROVIDING INFORMATION FOR EVALUATION.—The adequacy of the plan for providing information relevant to an evaluation of the project.

(6) OTHER FACTORS.—Such other factors relevant to the purposes of this title as the Secretary may specify.

(d) PREFERENCES.—In considering an application to conduct a demonstration project under this title, the Secretary shall give preference to an application that—

(1) demonstrates the willingness and ability to select individuals described in section 408 who are predominantly from households in which a child (or children) is living with the child's biological or adoptive mother or father, or with the child's legal guardian;

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

(3) targets such individuals residing within one or more relatively well-defined neighborhoods or communities (including rural communities) that experience high rates of poverty or unemployment.

(e) APPROVAL.—Not later than 9 months after the date of enactment of this title, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration projects under this title as the Secretary deems appropriate, taking into account the assessments required by subsections (c) and (d). The Secretary is encouraged to ensure that the applications that are approved involve a range of communities (both rural and urban) and diverse populations.

(f) CONTRACTS WITH NONPROFIT ENTITIES.—The Secretary may contract with an entity described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt

from taxation under section 501(a) of such Code to carry out any responsibility of the Secretary under this section or section 412 if—

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

(2) the Secretary can demonstrate that such responsibility would not be carried out by the Secretary at a lower cost.

SEC. 406. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.

(a) DEMONSTRATION AUTHORITY.—If the Secretary approves an application to conduct a demonstration project under this title, the Secretary shall, not later than 10 months after the date of enactment of this title, authorize the applicant to conduct the project for 4 project years in accordance with the approved application and the requirements of this title.

(b) GRANT AUTHORITY.—For each project year of a demonstration project conducted under this title, the Secretary may make a grant to the qualified entity authorized to conduct the project. In making such a grant, the Secretary shall make the grant on the first day of the project year in an amount not to exceed the lesser of—

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

(2) $1,000,000.

SEC. 407. RESERVE FUND.

(a) ESTABLISHMENT.—A qualified entity under this title, other than a State or local government agency, or a tribal government, shall establish a Reserve Fund which shall be maintained in accordance with this section.

(b) AMOUNTS IN RESERVE FUND.—

(1) IN GENERAL.—As soon after receipt as is practicable, a qualified entity shall deposit in the Reserve Fund established under subsection (a)—

(A) all funds provided to the qualified entity by any public or private source in connection with the demonstration project; and

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

(2) UNIFORM ACCOUNTING REGULATIONS.—The Secretary shall prescribe regulations with respect to accounting for amounts in the Reserve Fund established under subsection (a).

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

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

(A) assist participants in the demonstration project in obtaining the skills (including eco-

nomic literacy, budgeting, credit, and counseling) and information necessary to achieve economic self-sufficiency through activities requiring qualified expenses;

(B) provide deposits in accordance with section 410 for individuals selected by the qualified entity to participate in the demonstration project;

(C) administer the demonstration project; and

(D) provide the research organization evaluating the demonstration project under section 414 with such information with respect to the demonstration project as may be required for the evaluation.

(2) AUTHORITY TO INVEST FUNDS.—

(A) GUIDELINES.—The Secretary shall establish guidelines for investing amounts in the Reserve Fund established under subsection (a) in a manner that provides an appropriate balance between return, liquidity, and risk.

(B) INVESTMENT.—A qualified entity shall invest the amounts in its Reserve Fund that are not immediately needed to carry out the provi-

sions of paragraph (1), in accordance with the guidelines established under subparagraph (A).

(3) LIMITATION ON USES.—Not more than 9.5 percent of the amounts provided to a qualified entity under section 406(b) shall be used by the qualified entity for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1), of which not less than 2 percent of the amounts shall be used by the qualified entity for the purposes described in paragraph (1)(D). If two or more qualified entities are jointly administering a project, no qualified entity shall use more than its proportional share for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1).

(d) UNUSED FEDERAL GRANT FUNDS TRANSFERRED TO THE SECRETARY WHEN PROJECT TERMINATES.—Notwithstanding subsection (c), upon the termination of any demonstration project authorized under this section, the qualified entity conducting the project shall transfer to the Secretary an amount equal to—

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

(2) a percentage equal to—

(A) the aggregate amount of grants made to the qualified entity under section 406(b); divided by

(B) the aggregate amount of all funds provided to the qualified entity by all sources to conduct the project.

SEC. 408. ELIGIBILITY FOR PARTICIPATION.

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

(1) INCOME TEST.—The adjusted gross income of the household does not exceed the earned income amount described in section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household).

(2) NET WORTH TEST.—

(A) IN GENERAL.—The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, does not exceed $10,000.

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

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

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

(C) EXCLUSIONS.—For purposes of determining the net worth of a household, a household's assets shall not be considered to include the primary dwelling unit and one motor vehicle owned by the household.

(b) INDIVIDUALS UNABLE TO COMPLETE THE PROJECT.—The Secretary shall establish such regulations as are necessary, including prohibiting future eligibility to participate in any other demonstration project conducted under this title, to ensure compliance with this title if an individual participating in the demonstration project moves from the community in which the project is conducted or is otherwise unable to continue participating in that project.

SEC. 409. SELECTION OF INDIVIDUALS TO PARTICIPATE.

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

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

(2) to whom the qualified entity will provide deposits in accordance with section 410.

SEC. 410. DEPOSITS BY QUALIFIED ENTITIES.

(a) IN GENERAL.—Not less than once every 3 months during each project year, each qualified entity under this title shall deposit in the individual development account of each individual participating in the project, or into a parallel account maintained by the qualified entity—

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

(2) from the grant made under section 406(b), an amount equal to the matching contribution made under paragraph (1); and

(3) any interest that has accrued on amounts deposited under paragraph (1) or (2) on behalf of that individual into the individual development account of

the individual or into a parallel account maintained by the qualified entity.

(b) LIMITATION ON DEPOSITS FOR AN INDIVIDUAL.—Not more than $2,000 from a grant made under section 406(b) shall be provided to any one individual over the course of the demonstration project.

(c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—Not more than $4,000 from a grant made under section 406(b) shall be provided to any one household over the course of the demonstration project.

(d) WITHDRAWAL OF FUNDS.—The Secretary shall establish such guidelines as may be necessary to ensure that funds held in an individual development account are not withdrawn, except for one or more qualified expenses, or for an emergency withdrawal. Such guidelines shall include a requirement that a responsible official of the qualified entity conducting a project approve such withdrawal in writing. The guidelines shall provide that no individual may withdraw funds from an individual development account earlier than 6 months after the date on which the individual first deposits funds in the account.

(e) REIMBURSEMENT.—An individual shall reimburse an individual development account for any funds withdrawn from the account for an emergency withdrawal, not later than 12 months after the date of the withdrawal. If

the individual fails to make the reimbursement, the qualified entity administering the account shall transfer the funds deposited into the account or a parallel account under section 410 to the Reserve Fund of the qualified entity, and use the funds to benefit other individuals participating in the demonstration project involved.

SEC. 411. LOCAL CONTROL OVER DEMONSTRATION PROJECTS.

A qualified entity under this title, other than a State or local government agency or a tribal government, shall, subject to the provisions of section 413, have sole authority over the administration of the project. The Secretary may prescribe only such regulations or guidelines with respect to demonstration projects conducted under this title as are necessary to ensure compliance with the approved applications and the requirements of this title.

SEC. 412. ANNUAL PROGRESS REPORTS.

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

(1) The number of individuals making a deposit into an individual development account.

(2) The amounts in the Reserve Fund established with respect to the project.

(3) The amounts deposited in the individual development accounts.

(4) The amounts withdrawn from the individual development accounts and the purposes for which such amounts were withdrawn.

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

(6) The savings account characteristics (such as threshold amounts and match rates) required to stimulate participation in the demonstration project, and how such characteristics vary among different populations or communities.

(7) What service configurations of the qualified entity (such as peer support, structured planning exercises, mentoring, and case management) increased the rate and consistency of participation in the demonstration project and how such configurations varied among different populations or communities.

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

(b) SUBMISSION OF REPORTS.—The qualified entity shall submit each report required to be prepared under subsection (a) to—

(1) the Secretary; and

(2) the Treasurer (or equivalent official) of the State in which the project is conducted, if the State or a local government or a tribal government committed funds to the demonstration project.

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

SEC. 413. SANCTIONS.

(a) AUTHORITY TO TERMINATE DEMONSTRATION PROJECT.—If the Secretary determines that a qualified entity under this title is not operating the demonstration project in accordance with the entity's application or the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary), the Secretary shall terminate such entity's authority to conduct the demonstration project.

(b) ACTIONS REQUIRED UPON TERMINATION.—If the Secretary terminates the authority to conduct a demonstration project, the Secretary—

(1) shall suspend the demonstration project;

(2) shall take control of the Reserve Fund established pursuant to section 407;

(3) shall make every effort to identify another qualified entity (or entities) willing and able to conduct the project in accordance with the approved application (or, as modified, if necessary to incorporate the recommendations) and the requirements of this title;

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

(A) authorize the entity (or entities) to conduct the project in accordance with the approved application (or, as modified, if necessary, to incorporate the recommendations) and the requirements of this title;

(B) transfer to the entity (or entities) control over the Reserve Fund established pursuant to section 407; and

(C) consider, for purposes of this title—

(i) such other entity (or entities) to be the qualified entity (or entities) originally authorized to conduct the demonstration project; and

(ii) the date of such authorization to be the date of the original authorization; and

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

(A) terminate the project; and

(B) from the amount remaining in the Reserve Fund established as part of the project, remit to each source that provided funds under section 405(c)(4) to the entity originally authorized to conduct the project, an amount that bears the same ratio to the amount so remaining as the amount provided by the source under section 405(c)(4) bears to the amount provided by all such sources under that section.

SEC. 414. EVALUATIONS.

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

(b) FACTORS TO EVALUATE.—In evaluating any demonstration project conducted under this title, the research organization shall address the following factors:

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

(2) The savings rates of individuals in the demonstration project based on demographic characteristics including gender, age, family size, race or ethnic background, and income.

(3) The economic, civic, psychological, and social effects of asset accumulation, and how such effects vary among different populations or communities.

(4) The effects of individual development accounts on savings rates, homeownership, level of post-secondary education attained, and self-employment, and how such effects vary among different populations or communities.

(5) The potential financial returns to the Federal Government and to other public sector and private sector investors in individual development accounts over a 5-year and 10-year period of time.

(6) The lessons to be learned from the demonstration projects conducted under this title and if a permanent program of individual development accounts should be established.

(7) Such other factors as may be prescribed by the Secretary.

(c) METHODOLOGICAL REQUIREMENTS.—In evaluating any demonstration project conducted under this title, the research organization shall—

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

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

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

(d) REPORTS BY THE SECRETARY.—

(1) INTERIM REPORTS.—Not later than 90 days after the end of the calendar year in which the Secretary first authorizes a qualified entity to conduct a demonstration project under this title, and every 12 months thereafter until all demonstration projects conducted under this title are completed, the Secretary shall submit to Congress an interim report setting forth the results of the reports submitted pursuant to section 412(b).

(2) FINAL REPORTS.—Not later than 12 months after the conclusion of all demonstration projects conducted under this title, the Secretary shall submit to Congress a final report setting forth the results and

findings of all reports and evaluations conducted pursuant to this title.

(e) EVALUATION EXPENSES.—The Secretary shall expend such sums as may be necessary, but not more than 2 percent of the amounts appropriated under section 416 for a fiscal year, to carry out the purposes of this section.

SEC. 415. TREATMENT OF FUNDS.

Of the funds deposited in individual development accounts for eligible individuals only the funds deposited by the individuals (including interest accruing on those funds) may be considered to be the income, assets, or resources of the individuals, for purposes of determining eligibility for, or the amount of assistance furnished under, any Federal or federally assisted program based on need.

SEC. 416. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out this title, $25,000,000 for each of fiscal years 1999, 2000, 2001, 2002, and 2003 to remain available until expended.