

105TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } 105-686

COMMUNITY SERVICES AUTHORIZATION ACT OF 1998 AND
LOW-INCOME HOME ENERGY ASSISTANCE AMENDMENTS
OF 1998

AUGUST 7, 1998.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. GOODLING, from the Committee on Education and the
Workforce, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 4271]

[Including cost estimate of the Congressional Budget Office]

The Committee on Education and the Workforce, to whom was referred the bill (H.R. 4271) to amend the Community Services Block Grant Act to reauthorize and make improvements to that Act, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

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

SEC. 101. SHORT TITLE.

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

SEC. 102. REAUTHORIZATION.

The heading for subtitle B, and sections 671 through 680, of the Community Services Block Grant Act (42 U.S.C. 9901–9909) are 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 purpose of this subtitle is to provide 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.)). Such goals may be accomplished through—

“(1) the strengthening of community capabilities for planning, coordinating, and utilizing a broad range of Federal, State, local, and private resources for the elimination of poverty, and for helping individuals and families achieve self-sufficiency;

“(2) greater use of innovative and effective, community-based approaches to attacking the causes and effects of poverty and of community breakdown;

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

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

“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 Office of Management and Budget based on the most recent data available from the Bureau of the Census. 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 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, and the Commonwealth of the Northern Mariana Islands, but for fiscal years ending before October 1, 2001, includes the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau.

“SEC. 674. AUTHORIZATION OF APPROPRIATIONS.

“(a) IN GENERAL.—There are authorized to be appropriated \$535,000,000 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) 1½ percent for activities authorized in sections 678A through 678F, of which—

“(A) not less than ½ of the amount reserved by the Secretary under this paragraph shall be distributed directly to local eligible entities or to state-wide organizations whose membership is composed of eligible entities, as required under section 678A(c) for the purpose of carrying out activities described in section 678A; and

“(B) ½ of the remainder of the amount reserved by the Secretary under this paragraph shall be used to carry out monitoring, evaluation, and corrective activities described in sections 678B(c) and 678A; and

“(3) not more than 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)—

(1) for each fiscal year on the basis of need among Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands; and

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

“(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, and that are consistent with the requirements of section 676.

“(c) LIMITATION.—(1) Funds apportioned under subsection (a) for the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau shall be used by the Secretary to make grants on a competitive basis, pursuant to recommendations submitted to the Secretary by the Pacific Region Educational Laboratory of the Department of Education, to the Federated States of Micronesia, the Republic of the Marshall Islands, Palau, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, for the purpose of carrying out programs in accordance with this subtitle.

“(2) Not more than 5 percent of such funds may be used by the Secretary to compensate the Pacific Region Educational Laboratory of the Department of Education for administrative costs incurred in connection with making recommendations under paragraph (1).

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

“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 subsection (a) to such State for fiscal year 1990.

“(3) MAXIMUM ALLOTMENTS.—The amount allotted under paragraph (1) to a State shall be reduced for a fiscal year, 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) ALLOTMENT OF ADDITIONAL FUNDS.—Notwithstanding subsections (a) and (b), in any fiscal year in which the amount appropriated under section 674(a) exceeds the amount appropriated under such section for fiscal year 1999, such excess shall be allotted among the States proportionately based on—

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

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

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

“(d) PAYMENTS.—The Secretary shall make payments to eligible States from the allotments made under this section. The Secretary shall make payments for the grants in accordance with section 6503(a) of title 31, United States Code.

“(e) DEFINITION.—For purposes of this section, the term ‘State’ does not include Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

“SEC. 675C. USES OF FUNDS.

“(a) GRANTS TO LOCAL 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) STATEWIDE 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;

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

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

“(2) ADMINISTRATIVE CAP.—No State may spend more than the greater of \$55,000, or 5 percent, of the State’s allotment received under section 675B for administrative expenses, including monitoring activities. Funds to be spent for such expenses shall be taken from the portion of the State allotment that remains after the State makes grants to eligible entities under subsection (a).± The cost of activities conducted under paragraph (1)(A) shall not be considered to be administrative expenses.

“(c)(1) Notwithstanding any other provision of law and subject to paragraph (2), if there is in effect under State law a charity tax credit, then the State may use for any purpose the amount of the allotment that is not expended under subsections (a) and (b).

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

“(3) For purposes of this subsection:

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

“(B) QUALIFIED CHARITY.—

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

“(I) which is—

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

“(bb) a community action agency as defined in the Economic Opportunity Act of 1964; or

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

“(II) which is certified by the appropriate State authority as meeting the requirements of clauses (iii) and (iv); and

“(III) if such organization is otherwise required to file a return under section 6033 of such Code, which elects to treat the information required to be furnished by clause (v) as being specified in section 6033(b) of such Code.

“(ii) CERTAIN CONTRIBUTIONS TO COLLECTION ORGANIZATIONS TREATED AS CONTRIBUTIONS TO QUALIFIED CHARITY.—

“(I) IN GENERAL.—A contribution to a collection organization shall be treated as a contribution to a qualified charity if the donor designates in writing that the contribution is for the qualified charity.

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

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

“(bb) which distributes to qualified charities described in clause (i) at least 90 percent of the gifts and grants it receives that are designated for such qualified charities; and

“(cc) which meets the requirements of clause (vi).

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

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

“(II) NO RECORDKEEPING IN CERTAIN CASES.—An organization shall not be required to establish or maintain records with respect to the incomes of individuals and families for purposes of subclause (I) if such

individuals or families are members of groups which are generally recognized as including substantially only individuals and families described in subclause (I).

“(III) FOOD AID AND HOMELESS SHELTERS.—Except as otherwise provided by the appropriate State authority, for purposes of subclause (I), services to individuals in the form of—

“(aa) donations of food or meals; or

“(bb) temporary shelter to homeless individuals;

shall be treated as provided to individuals described in subclause (I) if the location and operation of such services are such that the service provider may reasonably conclude that the beneficiaries of such services are predominantly individuals described in subclause (I).

“(iv) MINIMUM EXPENSE REQUIREMENT.—

“(I) IN GENERAL.—An organization meets the requirements of this clause only if the appropriate State authority reasonably expects that the annual poverty program expenses of such organization will not be less than 75 percent of the annual aggregate expenses of such organization.

“(II) POVERTY PROGRAM EXPENSE.—For purposes of subclause (I)—

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

“(bb) EXCEPTIONS.—Such term shall not include any management or general expense, any expense for the purpose of influencing legislation (as defined in section 4911(d) of the Internal Revenue Code of 1986), any expense for the purpose of fundraising, any expense for a legal service provided on behalf of any individual referred to in clause (iii), any expense for providing tuition assistance relating to compulsory school attendance, and any expense which consists of a payment to an affiliate of the organization.

“(v) REPORTING REQUIREMENT.—The information required to be furnished under this clause is—

“(i) the percentages determined by dividing the following categories of the organization’s expenses for the year by its total expenses for the year: program services, management expenses, general expenses, fundraising expenses, and payments to affiliates; and

“(ii) the category or categories (including food, shelter, education, substance abuse, job training, or otherwise) of services which constitute its predominant activities.

“(vi) ADDITIONAL REQUIREMENTS FOR COLLECTION ORGANIZATIONS.—The requirements of this clause are met if the organization—

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

“(II) makes available to the public its administrative and fundraising costs and information as to the organizations receiving funds from it and the amount of such funds.

“(vii) SPECIAL RULE FOR STATES REQUIRING TAX UNIFORMITY.—In the case of a State—

“(I) which has a constitutional requirement of tax uniformity; and

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

“(aa) a single flat rate applicable to all earned and unearned income (except insofar as any amount is not taxed pursuant to tax forgiveness provisions); and

“(bb) no generally available exemptions or deductions to individuals;

the requirement of paragraph (2) shall be treated as met if the amount of the credit is limited to a uniform percentage (but not greater than 25 percent) of State personal income tax liability (determined without regard to credits).

“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 families and individuals receiving assistance under title IV of the Social Security Act, 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 (particularly for families and individuals who are attempting to transition off a State program carried out under title IV of the Social Security Act);

“(B) to secure and retain meaningful employment;

“(C) to attain an adequate education with particular attention toward improving literacy skills of the low-income families in the community, which may include family literacy initiatives;

“(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, including activities that strengthen and improve the relationship with local law enforcement agencies, which may include activities such as neighborhood or community policing efforts;

“(H) to address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to prevention of youth problems and crime, promote increased community coordination and collaboration in meeting the needs of youth, and support development and expansion of innovative community-based youth development programs, which may include after-school child care programs; and

“(I) to make more effective use of, and to coordinate with, 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 which may include fatherhood and other initiatives with the goal of strengthening families and encouraging parental responsibility;

“(4) an assurance that local eligible entities in 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 and the local eligible entities in 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 and to avoid duplication of such services (including a description of how the State and the local eligible entities will coordinate with State and local workforce investment systems in the provision of employment and training services in the State and in local communities);

“(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 local eligible entities in 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 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 2001, participate in the Results Oriented Management and Accountability System, another performance measure system established pursuant to 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) FUNDING TERMINATION OR REDUCTIONS.—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—

“(A) a private nonprofit eligible entity located in an area contiguous to or within reasonable proximity of the unserved area that is already providing related services in the unserved area; or

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

“(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 eligible entities that are already providing related 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) $\frac{1}{3}$ 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 $\frac{1}{3}$ of the membership of the board, membership on the board of appointive public officials or their representatives may be counted in meeting such $\frac{1}{3}$ requirement;

“(B) not fewer than $\frac{1}{3}$ 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) each representative of low-income individuals and families selected to represent a specific neighborhood within a community under subparagraph (B) 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 $\frac{1}{3}$ 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 of Indians 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, performance measurement, corrective action activities (to correct programmatic deficiencies of eligible entities), reporting, and data collection activities related to programs carried out under this subtitle, and in accordance with subsection (c). Training and technical assistance activities may be carried out by the Secretary through grants, contracts, or cooperative agreements with eligible entities or with organizations or associations

whose membership is composed of eligible entities or agencies that administer programs for eligible entities.

“(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.

“(c) DISTRIBUTION REQUIREMENT.—Of the amounts reserved under section 674(b)(2) for activities to be carried out under this section, not less than ½ of such amounts shall be distributed directly to local eligible entities or to statewide organizations whose membership is composed of eligible entities for the purpose of improving program quality (including financial management practices), management information and reporting systems, measurement of program results, and for the purpose of ensuring responsiveness to local neighborhood needs.

“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.

“(c) EVALUATIONS BY THE SECRETARY.—The Secretary shall conduct in several States in each fiscal year evaluations and investigations of the use of funds received by the States under this subtitle in order to evaluate compliance with the provisions of this subtitle, and especially with respect to compliance with subsection (b) of section 676. A report of such evaluations, together with recommendations of improvements designed to enhance the benefit and impact to people in need, shall be sent to each State evaluated. Upon receiving the report the State shall submit a plan of action in response to the recommendations contained in the report. The results of the evaluations shall be submitted annually to the Chairman of the Committee on Education and the Workforce of the House of Representatives and the Chairman of the Committee on Labor and Human Resources of the Senate as part of the report submitted by the Secretary in accordance with section 678E(b)(2).

“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 request, review such a determination. The review shall be completed not later than 120 days after the determination to terminate the designation or reduce the funding. If the review is not completed within 120 days, the determination of the State shall become final at the end of the 120th day.

“(c) DIRECT ASSISTANCE.—Whenever a State violates the assurances contained in section 676(b)(8) and terminates or reduces the funding of an eligible entity prior to the completion of the State’s hearing and the Secretary’s review as required in subsection (b), the Secretary shall assume responsibility for providing financial assistance to the eligible entity affected until the violation is corrected. In such case, the allotment for the State shall be reduced by an amount equal to the funds provided under this subsection to such eligible entity.

“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 disbursement 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 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 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 indirect services or 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 facilitate the development of 1 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 their 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 indirect services or 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 prior to the start of the fiscal year 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, 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 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 (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 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 organizations 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 special 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. 103. RELATED AMENDMENTS.

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

(1) by striking section 681;

(2) in section 681A—

(A) by striking “681A” and inserting “681”;

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

and

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

(3) in section 682—

(A) in subsection (c)—

(i) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

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

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

“(A) ensure that—

“(i) a community-based advisory committee, composed of representatives of local youth, family, and social service organizations, schools, entities that provide park and recreation services, entities that provide training services, and community-based organizations that serve high-risk youth, is established; or

“(ii) an existing community-based advisory board, commission, or committee with similar membership is used; and

“(B) 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;”;

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

(4) by striking sections 683 and 684, and inserting the following:

“SEC. 683. DRUG TESTING AND PATERNITY DETERMINATIONS.

“(a) DRUG TESTING PERMITTED.—(1) Nothing in this subtitle shall be construed to prohibit a State from testing participants in programs, activities, or services carried out under this subtitle for controlled substances or from imposing sanctions on such participants who test positive for any of such substances.

“(2) Any funds provided under this subtitle expended for such testing shall be considered to be expended for administrative expenses and shall be subject to the limitation specified in section 675(b)(2).

“(b) **PATERNITY DETERMINATIONS.**—During each fiscal year for which an eligible entity receives a grant under section 675C, such entity shall—

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

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

“(3) establish referral arrangements with such offices.

“SEC. 684. 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 of this subtitle. 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. 104. ASSETS FOR INDEPENDENCE.

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

(1) by striking “this subtitle” each place it appears (other than in section 671) and inserting “this part”, and

(2) by inserting the following after section 671:

“PART A—COMMUNITY SERVICES GRANTS”,

and

(3) by adding at the end the following:

“PART B—ASSETS FOR INDEPENDENCE

“SEC. 685. SHORT TITLE.

“This part may be cited as the ‘Assets for Independence Act’.

“SEC. 686. 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. 687. PURPOSES.

“The purposes of this part 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 post-secondary 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. 688. DEFINITIONS.

“In this part:

“(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 693.

“(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 694.

“(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 694 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 part, 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 part, 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 5 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 689 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 part.

“(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 part.

“(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 part.

“(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 (or in a State insured financial institution if no federally insured financial institution is available) 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 Native Hawaiian organization, as defined in section 9212 of the Native Hawaiian Education Act (20 U.S.C. 7912).

“SEC. 689. APPLICATIONS.

“(a) ANNOUNCEMENT OF DEMONSTRATION PROJECTS.—Not later than 3 months after the date of enactment of this part, the Secretary shall publicly announce the availability of funding under this part 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 part, a qualified entity may submit to the Secretary an application to conduct a demonstration project under this part.

“(c) CRITERIA.—In considering whether to approve an application to conduct a demonstration project under this part, 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 combination 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 part as the Secretary may specify.

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

“(1) demonstrates the willingness and ability to select individuals described in section 692 who are predominantly from households in which a child (or chil-

dren) 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 part, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration projects under this part 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 conduct any responsibility of the Secretary under this section or section 696 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. 690. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.

"(a) DEMONSTRATION AUTHORITY.—If the Secretary approves an application to conduct a demonstration project under this part, the Secretary shall, not later than 10 months after the date of enactment of this part, authorize the applicant to conduct the project for 5 project years in accordance with the approved application and the requirements of this part.

"(b) GRANT AUTHORITY.—For each project year of a demonstration project conducted under this part, 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. 691. RESERVE FUND.

"(a) ESTABLISHMENT.—A qualified entity under this part, 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 694 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 698 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 provisions 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 698(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 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 698(b); divided by

“(B) the aggregate amount of all funds provided to the qualified entity by all sources to conduct the project.

“SEC. 692. 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 part:

“(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 part, to ensure compliance with this part 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. 693. SELECTION OF INDIVIDUALS TO PARTICIPATE.

“From among the individuals eligible to participate in a demonstration project conducted under this part, 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 694.

“SEC. 694. DEPOSITS BY QUALIFIED ENTITIES.

“(a) IN GENERAL.—Not less than once every 3 months during each project year, each qualified entity under this Act 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 689(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 690(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 690(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 690(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 694 to the Reserve Fund of the qualified entity, and use the funds to benefit other individuals participating in the demonstration project involved.

“SEC. 695. LOCAL CONTROL OVER DEMONSTRATION PROJECTS.

“A qualified entity under this part, other than a State or local government agency or a tribal government, shall, subject to the provisions of section 697, 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 part as are necessary to ensure compliance with the approved applications and the requirements of this part.

“SEC. 696. ANNUAL PROGRESS REPORTS.

“(a) IN GENERAL.—Each qualified entity under this part 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 and characteristics 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. 697. SANCTIONS.

“(a) AUTHORITY TO TERMINATE DEMONSTRATION PROJECT.—If the Secretary determines that a qualified entity under this part is not operating the demonstration

project in accordance with the entity's application or the requirements of this part (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 691;

"(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 part;

"(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 part;

"(B) transfer to the entity (or entities) control over the Reserve Fund established pursuant to section 691; and

"(C) consider, for purposes of this part—

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

"SEC. 698. EVALUATIONS.

"(a) IN GENERAL.—Not later than 10 months after the date of enactment of this part, 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 part.

"(b) FACTORS TO EVALUATE.—In evaluating any demonstration project conducted under this part, 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 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 part 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 part, the research organization shall—

"(1) for at least 1 site, use control groups to compare participants with non-participants;

"(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 part, and every 12 months thereafter until all demonstration projects conducted under this part are completed, the Secretary shall submit to Congress an interim report setting forth the results of the reports submitted pursuant to section 696(b).

“(2) FINAL REPORTS.—Not later than 12 months after the conclusion of all demonstration projects conducted under this part, the Secretary shall submit to Congress a final report setting forth the results and findings of all reports and evaluations conducted pursuant to this part.

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

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

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

SEC. 105. EFFECTIVE DATE; APPLICATION OF AMENDMENTS.

(a) EFFECTIVE DATE.—Except as provided in subsection (b), this title and the amendments made by this title shall take effect on the date of the enactment of this Act.

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

TITLE II—AMENDMENTS TO THE LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981

SEC. 201. SHORT TITLE.

This title may be cited as the “Low-Income Home Energy Assistance Amendments of 1998”.

SEC. 202. 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 inserting “, \$1,100,000,000 for fiscal year 2000, and such sums as may be necessary for fiscal year 2001” after “1995 through 1999”.

(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 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 the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621(d)) is amended by striking “for each of the fiscal years 1996” and all that follows through the period at the end, and inserting “for each of the fiscal years 1999, 2000, and 2001.”.

(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. 203. 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. 204. NATURAL DISASTERS AND OTHER EMERGENCIES.

(a) DEFINITIONS.—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.”

(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 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.”

SEC. 205. 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 “and the Commonwealth of the Northern Mariana Islands.”;

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

(3) by striking subsection (f);

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

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

SEC. 206. 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”; and
- (3) in paragraphs (1) and (2)(A) of subsection (k) by inserting “, particularly those low-income households with the lowest incomes that pay a high proportion of household income for home energy” before the period.

SEC. 207. 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)”;
- (2) in the second sentence, by striking “but not transferred by the State”.

SEC. 208. 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).

Amend the title so as to read:

A bill to amend the Community Services Block Grant Act to reauthorize and make improvements to that Act; and to amend the Low-Income Home Energy Assistance Act of 1981 to reauthorize and make improvements to that Act.

PURPOSE

The purpose of this Act is to extend the authorization of the Community Services Block Grant (CSBG) through the year 2003, and make changes in the program that will better enable States and local communities to eradicate poverty, revitalize high poverty neighborhoods, and empower low-income individuals and communities to become self-sufficient. The bill also extends the authorization of the Low-Income Home Energy Assistance Program (LIHEAP) through the year 2001 and makes needed technical changes.

COMMITTEE ACTION

The Committee on Education and the Workforce held one hearing on the Low-Income Home Energy Assistance Program (LIHEAP) on April 8, and one hearing on the Community Services Block Grant (CSBG) on June 5, 1998.

The April 8, 1997 hearing was held by the Early Childhood, Youth and Families Subcommittee in Washington, D.C. The Subcommittee received testimony from the Honorable John Porter (R-IL); the Honorable Joe Moakley (D-MA); the Honorable Jack Quinn (R-NY); the Honorable Bernie Sanders (I-VT); the Honorable Dan

Miller (R-FL); the Honorable Joe Kennedy (D-MA); Steve Asher, Managing Director, Washington State Department of Community, Trade and Economic Development, Olympia, Washington; Ruth Lampi, Executive Director, National Fuel Fund Network, Silver Spring, Maryland; Tom Schatz, President, Citizens Against Government Waste, Washington, DC; Sara Ellison, Director of Community Relations, Northeast Utilities, Hartford, Connecticut; Joel Eisenberg, Oak Ridge National Laboratory, Washington, DC; Val Martinez, Energy Services Director, Redwood Community Action Agency, Eureka, California; and Connie Tolbert, Former LIHEAP Beneficiary, Baltimore, Maryland.

The June 5, 1998 hearing on CSBG was also held by the Early Childhood, Youth and Families Subcommittee in Washington, D.C. The Subcommittee received testimony from Michael Micciche, Director, State of California Department of Community Services and Development, Sacramento, California; the Honorable Carlton Mitchell, Deputy Commissioner for Community Development, Department of Youth and Community Development, City of New York, New York; Lloyd Throne, Executive Director, Redwood Community Action Agency, Eureka, California; Melissa Glatz, Former Program Participant, Carlisle, Pennsylvania; and Steven Musselwhite, President, Musselwhite and Associates, and Chairman, Total Action Against Poverty Community Action Program, Roanoke, Virginia. The Subcommittee also received testimony from Mary Nelson, Director, Bethel New Life Community Development Corporation, Chicago, Illinois; Mary Dupont, Director, Working Capital Program, YWCA of New Castle County, Wilmington, Delaware; Wilmington, Delaware; Janice McCree, Carver Tenants Association, Washington, D.C.; and Jerry Rickett, President, Kentucky Highlands Investment Corporation, London, Kentucky.

LEGISLATIVE ACTION

On July 17, 1998, Representative Frank Riggs (R-CA) introduced H.R. 4271, the Community Services Block Grant Act.

On July 29, 1998, the Committee on Education and the Workforce assembled to consider H.R. 4271, the Community Services Block Grant Act. H.R. 4271, as amended, was favorably reported by the Education and the Workforce Committee by a voice vote.

SUMMARY

The Community Services Authorization Act of 1998 extends the authorization for, and makes improvements to the Community Services Block Grant Act and the Low-Income Home Energy Assistance Act of 1981.

Title I of the bill extends the authorization of the Community Services Block Grant at \$535 million for fiscal year 1999, and such sums as may be necessary for fiscal years 2000 through 2003.

The bill requires each recipient of CSBG funds to participate in a performance measurement system that is developed through a collaboration between the States and local eligible entities, facilitated by the Secretary of Health and Human Services, by October 1, 2001. This system will measure how CSBG funds are used to promote self-sufficiency, family stability, and community revitaliza-

tion. Program quality will be improved by requiring on-site compliance reviews, enhancing opportunities for training and technical assistance where deficiencies are noted, and providing opportunities for quality improvement plans and corrective action where warranted.

The legislation protects local control by strengthening the role of local tripartite boards in the design and implementation of both privately and publicly-administered local programs to ensure low income citizen participation in decision-making, planning and administration of CSBG programs.

The bill clarifies that faith-based organizations and other neighborhood-based organizations are eligible providers of services under CSBG funded programs. The bill also adds several new initiatives to the list of allowable State and local activities that can be carried out under CSBG including programs that focus on literacy, community policing, fatherhood initiatives, and after-school programs.

Title I of the bill also extends the authorization of the Community Economic Development and Rural Community Facilities programs. It creates a new Neighborhood Innovation Project to provide grants to neighborhood-based private nonprofit organizations for the development of new approaches to overcoming problems that are contributing to community breakdown. Additionally, the bill extends authorizations for the National Youth Sports Program and the Community Food and Nutrition Program, with authorization levels reflecting current funding levels.

The Committee-reported bill authorizes a four-year, \$100 million demonstration program of Individual Development Accounts (IDAs) for low income working families and individuals. Individual Development Accounts are dedicated, matched savings accounts that can be used for purchasing a first home, meeting the costs of post-secondary education, capitalizing a business, or addressing certain defined hardship cases. Under the IDA program, nonprofit organizations or State and local governments enter into partnerships with low income individuals who deposit a self-determined portion of their earned income in the account. The sponsoring organization will match the individual's deposit with funds provided through this demonstration authority and other non-federal sources.

Title II authorizes the Low Income Home Energy Assistance Program for 2 years at \$1.1 billion for fiscal year 2000, and such sums as may be necessary for fiscal year 2001. In addition, the bill maintains the authority for the issuance of LIHEAP emergency fund for such fiscal years and includes new language defining the circumstances under which natural disasters and other emergencies warrant the release of additional funding.

Title II also maintains the leveraging incentive program under LIHEAP for fiscal years 2000 and 2001, and adds language requiring States to target home weatherization services to households with the lowest incomes and the highest energy burdens. Finally, Title II requires the GAO to conduct a study of the Residential Energy Assistance Challenge (REACH) program.

COMMITTEE VIEWS

TITLE I—COMMUNITY SERVICES BLOCK GRANT

Statistics show that poverty touches a large proportion of Americans over their lifetime. Sometimes it is a chronic condition that lasts over years or even generations. More often, poverty comes as a consequence of unexpected events or tragedies such as loss of a job, illness, disability, or other reasons that can destroy a family's ability to support itself. Over the years, the Community Services Block Grant (CSBG) has provided States and local communities with a flexible stream of funding for activities that have a "measurable and potentially major impact on causes of poverty."

The Committee has found that the Community Services Block Grant, and in particular the Community Action Agencies (CAAs) and other eligible entities that deliver its programs, remain effective and essential elements of the nation's efforts to fight poverty and increase self sufficiency among low income individuals and families. The CSBG program stands out as a unique example of effective partnerships between federal, State and local governments, as well as the private and public sectors in our nation's communities. However, more must be done to enhance coordination and decrease duplication between CSBG and other social services programs designed to fight poverty and foster self-sufficiency. More must be done to improve services to the nation's poor across all social services programs. To this end, the Community Services Authorization Act of 1998 was developed.

Purpose

The Committee-reported bill adds a new statement of purpose in the Community Services Block Grant Act that stresses: the eradication of poverty, the revitalization of high poverty neighborhoods, and the empowerment of low-income families and individuals to become fully self-sufficient. In addition, the bill borrows from the purpose contained in the original Economic Opportunity Act stressing the importance of broadening the resource base for programs directed to eliminate poverty, including a more active role for private, religious, charitable, and neighborhood-based organizations in the provision of services.

Designation of eligible entities and local tripartite boards

The Community Services Block Grant currently provides funds to nearly 1,200 "eligible entities"—mostly local nonprofit community action agencies in 98 percent of all counties across the country. These programs serve over 11.6 million low-income individuals, and over 3.4 million low-income families each year. The community action network has done a very effective job over the years at addressing the needs of high-poverty communities throughout the nation. Recognizing the important and historical work of community action agencies, the Committee has included language in the bill grandfathering current eligible entities for the purpose of continuing to administer programs under CSBG.

For areas that are not currently served by an existing eligible entity, the bill amends Section 676A of the Act. The bill provides that for any geographic area in a State is not, or ceases to be served

by an eligible entity, the chief executive officer of the State may solicit applications and designate as the eligible agency for that area: a private nonprofit eligible entity that already provides related services in the unserved area; or another private nonprofit organization geographically located in the unserved area. In any such designation, the organization must be of demonstrated effectiveness in meeting the goals and purposes of the Act. The organization must also be capable of providing a broad range of services designed to eliminate poverty and foster self-sufficiency.

Because of the need to strengthen and maintain the stability and effectiveness of the CSBG network and avoid disruptions of services to low income neighborhoods, the Committee has clarified that States may give first priority in granting such designation to existing eligible entities already providing services within such unserved communities.

The Committee-reported bill also ensures that local tripartite boards represent the areas they are serving. The Committee has therefore included a requirement that if an entity in a contiguous area is designated to serve an unserved area, such entity must agree to add additional members to its tripartite board to ensure adequate representation from the new community served, in each of the three required categories. This is of particular importance with respect to low-income representation. Those who represent low-income individuals on the board must actually reside in the neighborhood to be served.

Where no private, nonprofit organization is determined to be qualified to serve as the eligible entity in a local area, the bill authorizes the chief executive officer of the State to designate an appropriate political subdivision of the State to serve as an eligible entity for the area. However, in order to be qualified, political subdivisions must agree to administer CSBG funded programs through a tripartite board or another mechanism specified by the state in which low-income individuals are able to actively participate in decision-making, planning and implementation of programs funded by the block grant. This requirement is included in the bill to address concerns over an apparent trend toward public entities or local governments serving as the eligible entities. The number of public agencies serving as eligible entities for CSBG has increased from 129 in 1985 to 230 in 1995.

While many public agencies that administer CSBG programs do an excellent job, the Committee is concerned that some public agencies have not fully involved the public in the design and implementation of local programs. The current CSBG statute contains no specific requirements concerning the role of local boards with regard to the administration of programs run by public agencies. Low-income representatives are currently required to serve only in an advisory capacity rather than a policy-making capacity. However, as heard in testimony provided to the Committee by the City of New York, public agencies can benefit a great deal from the full participation of local community-based boards and councils. In New York City for example, the local community is fully involved in the design and delivery of programs under CSBG, ensuring that local programs meet the specific needs of the community.

The Committee-reported bill therefore strengthens the role of local tripartite boards in the design and implementation of all local CSBG programs whether administered by public or private, non-profit entities. The local tripartite board structure that incorporates local public officials, the private sector of the broader community, and elected representation from the low-income neighborhoods served, is at the heart of CSBG—making certain that federal funds are channeled to real local needs and priorities. The Committee finds that this proven structure should be fully utilized in all areas of the nation served and for all local agencies receiving CSBG funds.

Role of faith-based providers

The Committee bill recognizes the important role that private, neighborhood-based organizations, including faith-based organizations, play in the comprehensive delivery of services to individuals and families in poverty. Under the bill, we clarify that faith-based providers are eligible providers of services. We also encourage these organizations, as we do with all relevant organizations, to have significant input into the design and implementation of the system.

The Committee has also attempted to reduce reasons for States to under-utilize faith-based organizations because of their religious character by specifically including them in the definition of private nonprofit organizations, making it clear that they are eligible to provide services under CSBG. Section 679 of the Act also prescribes the circumstances under which such an entity may receive grants and contracts under this program. Specifically, language has been included which provides that faith-based organizations may participate in the CSBG program as long as the program is implemented in a manner consistent with the Establishment Clause of the Constitution. The language further provides that faith-based organizations shall not be required to remove religious art, icons, scripture or other symbols as a condition of participating in a program funded with CSBG. Faith-based organizations receiving funds under this Act may not use Federal funds for sectarian worship, instruction, or proselytization and must agree to submit to the fiscal accountability requirements of the State, including requirements that CSBG funds be segregated from other funds.

The Committee notes the historical importance of such entities in serving the poor and believes that they should not be precluded from participating in this program. The Committee feels it is important to clarify the eligibility of such organizations in order to prevent future barriers (or in limited circumstances to correct existing barriers) to such participation. However, the Committee also notes that faith-based organizations already appear to be well-utilized in the delivery of services under CSBG programs throughout the country.

Statewide activities and transfer authority

The Community Services Block Grant permits a State to spend up to 10 percent of its CSBG allotment for Statewide activities, with no more than 5 percent (or \$55,000, whichever is greater) allowed for State administrative costs. Through an amendment offered in Committee by Mr. Souder of Indiana and Mr. Scott of Vir-

ginia, a State may use all or a portion of its State-held funds (up to 10 percent of its total State allotment) to offset revenue losses attributable to a credit provided to individuals against State income taxes, or a comparable benefit, for contributions to charitable organizations working to prevent or reduce poverty.

Under this provision, States would only be allowed to utilize CSBG funds to offset revenue loss from such tax credits which are given for contributions to organizations which predominantly serve those with incomes below 185 percent of poverty. Further, during Committee consideration of this provision, Members of the Committee made it clear that States shall use funds for this purpose only to supplement, not supplant the amount of funds that would, in the absence of such federal funds, be made available for such purposes. Federal funds accessed for these purposes are not intended to be used for tuition assistance related to compulsory education requirements (not including tutoring, camps, skill development, and other supplemental services and training); nor are these funds intended to be used for providing legal services. This provision is intended to encourage States to experiment with charity tax credits for donations to charities working to alleviate poverty. A variety of eligible State charity tax credits already exist such as an individual tax credit for additional giving in Arizona, and a tax credit for business donations in Virginia authored by Rep. Scott when he was a State legislator.

This State tax credit is intended to leverage more resources for programs designed to fight poverty and foster self-sufficiency, mirroring the purpose of the Community Services Block Grant.

Unobligated funds

Under the Committee-reported bill, funds distributed to local eligible entities are available for obligation for two years. However section 675(c)(A)(3) of the Act provides that beginning on October 1, 2000, a State may recapture and redistribute funds distributed to an eligible entity that are unobligated at the end of a fiscal year if such unobligated funds exceed 20 percent of the amount distributed to the eligible entity. If the State elects to recapture funds in accordance with this provision they shall redistribute such funds to other eligible entities within the State 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. In either event, the Committee expects States to keep an accurate account of funds recaptured and how they are redistributed within the State and that they report on these actions as part of their annual report to the Secretary.

Additional uses of funds

The activities of local CSBG programs vary widely depending on the needs and circumstances of each local community. Common uses of CSBG funds include the coordination of programs and services for the poor, and the provision of emergency assistance in local communities. CSBG funds are also spent on education (including Head Start), employment, housing, nutrition, health, income management, and emergency services—filling gaps in programs that are specifically designed to provide these services.

Because CSBG is a very flexible block grant, the Committee did not prescribe how funds in each local community must be spent. The bill does however, include several new initiatives for which States and local areas may use CSBG funds. These new initiatives include: fatherhood and other community-based initiatives designed to strengthen the family and encourage parental responsibility; initiatives to strengthen and improve the relationship between local communities and law enforcement (which may include neighborhood and community policing initiatives); literacy initiatives (including family literacy initiatives); and youth development programs in high poverty communities that are designed to prevent youth problems and crime (which may include after-school child care and other youth development activities). The bill also prioritizes programs that are tied to welfare reform and that encourage self-sufficiency.

Federal-to-State formula

Because the formula in the Community Services Block Grant has remained constant since 1981, changes in poverty have not been reflected in the distribution of funds to States under the block grant program over the past 17 years. To address this concern, the Committee-reported bill includes a change in the federal-to-State formula, however this change only affects funds that are appropriated in future years that exceed levels appropriated for CSBG in fiscal year 1999. In other words, if and when funding exceeds the level appropriated for CSBG in FY 1999, these additional funds would be distributed to States in a manner similar to the formula that was contained in the original Economic Opportunity Act (EOA) with $\frac{1}{3}$ based on the number of families living in poverty; $\frac{1}{3}$ on unemployment; and $\frac{1}{3}$ on welfare participation.

Accountability, monitoring, evaluation, and technical assistance

The Committee-reported bill includes a number of provisions to ensure both fiscal and performance accountability within the Community Services Block Grant program. While we do not want to tell States and local communities what to do with funds provided under this Act, we must have a better understanding of how federal funds are spent and what types of services are provided.

The Committee bill includes a requirement that the Department of Health and Human Services work with States and local eligible entities to facilitate the development of a performance measurement system to be used by States and local entities to measure their performance in programs funded through CSBG. This builds on a voluntary performance measurement system begun by States and local entities with the help of the Department of Health and Human Services several years ago called the Results-Oriented Management and Accountability System (ROMA).

The Committee understands that developing a performance-based measurement system for a program where local grantees have enormous flexibility to pursue a diverse range of programs is a complex undertaking. The Committee believes that ROMA is a useful tool to assist local agencies in monitoring their success in promoting self-sufficiency, family stability and community revitalization. States would also be able to use such a tool to ensure a

results-oriented system. Therefore the bill provides for universal participation in this or a similar performance measurement system.

Such a performance measurement system is intended to allow local communities to determine their own priorities and establish performance objectives accordingly. Each State and local eligible entity that receives CSBG funds would be required to participate in such a performance measurement system by October 1, 2001. States would be required to annually prepare and submit a report to the Secretary on the performance and the expenditure of funds of the State and of the local eligible entities.

In addition to the performance measurement system established under the bill, the Committee has required the chief executive officer of each State to designate a lead agency in the State to develop the State plan to be submitted to the Secretary (which may cover a two year period). The bill also requires States to hold at least one public hearing on the proposed use and distribution of funds and one legislative hearing every 3 years in conjunction with the development of the State plan. States are also required to conduct reviews of eligible entities funded under this Act, and where necessary, to terminate eligibility or reduce funding for poor performing agencies.

The Committee is concerned about the number of States that have historically filed CSBG plans after the beginning of the fiscal year. The bill addresses this concern in two ways. First, Governors are given the discretion of sending 2-year plans to HHS for approval, allowing for a longer planning period for CSBG programs. Second, the bill requires that all plans be submitted to HHS at least 30 days before the beginning of the first fiscal year covered by the plan.

Monitoring is a critically important piece of the quality assurance process. The Committee believes that the best way to ensure high quality programs is for States, working with local eligible entities, to develop performance and financial management standards and to hold local entities accountable for those standards. Where appropriate, States should demand improved performance. The legislation therefore requires States to conduct an in-depth review of each entity receiving funds under CSBG and to provide training and technical assistance where the need is indicated.

The Committee recognizes the need for an equitable process which allows CSBG recipients an opportunity to address quality deficiencies. However, after completion of this process, programs which cannot meet minimum requirements or their own outcome measures should be sanctioned, which may include termination. If a program falls short of minimum program standards, the State is required to notify the program of the identified deficiencies. The State may require immediate correction, or may allow the program to develop a quality improvement plan. This plan shall be developed in a timely manner and approved by the State. The State must provide training and technical assistance to the program if requested, and determined to be in need of such assistance.

Grantees which feel that their funding has been terminated, suspended or reduced unfairly may appeal the decision to the Secretary. The Committee intends this process to ensure quality services. However, the goal is not to deny services to a community

served by a poor performing grantee. In such cases where funding is reduced or terminated, States are expected to work to identify a more capable grantee and provide, to the greatest extent possible, a smooth transition of services from one grantee to the next.

In addition, the Secretary of Health and Human Services is authorized to provide technical assistance to States and to local eligible entities to improve program performance and to correct program deficiencies.

Under current law, the Department has funded a wide variety of management support and improvement activities nationwide to meet the challenges posed to the network of nearly 1200 CSBG local agencies. This funding has supported start-up of the ROMA performance measurement system, and other reporting, staff, and institutional development systems. The Committee has determined that these initiatives have been generally effective in maintaining or raising the quality of CSBG management and should be continued.

The Committee finds however, that funding is inadequate for technical assistance provided by State associations of local eligible entities, which are the primary providers of training, technical assistance, management support and electronic systems developed for State and local systems. Therefore, the Committee has required that of the funds reserved by the Secretary for technical assistance, not less than half must be distributed directly to local eligible entities or to State associations of such entities for the provision of such technical assistance.

Further, the Secretary is encouraged to establish a permanent group experienced in the management of State and local CSBG programs and activities to assist the Department with the activities described in Sections 678A through 678C related to the correction of deficiencies identified by a State.

Data collection

The Committee applauds the work of the National Association of Community Services Programs in preparing an annual CSBG statistical report. However, the Committee is concerned that the Office of Community Services (OCS) does not collect any additional information from States or local agencies on the use of CSBG funds, other than the annual statistical report. The Committee is encouraged that this will soon change as part of the application of ROMA to CSBG across the nation.

Reports

Section 679(b) of current law requires the Secretary of HHS to conduct evaluations of the use of CSBG funds in several States each fiscal year. Among other things, these evaluations are required to assess the program's impact on children, pregnant adolescents, homeless families, and the elderly poor. The Committee is very concerned that the Department has ignored this requirement and has not submitted an annual report to Congress since 1991. The Office of Community Services anticipates a consolidated report for years 1992–1997 by the end of this summer. The Committee looks forward to receiving this report.

Discretionary programs and related activities

The Committee has included a new Neighborhood Innovation Project under the 9% discretionary account provided for the Secretary. The Committee intends that these funds be made available to entities that are not currently eligible entities under CSBG. The purpose of these grants is to support local, neighborhood-based, private nonprofit organizations in the development of new approaches or methods that will aid in overcoming special problems identified by communities or neighborhoods.

The Committee also wishes to point out that while it has added a new program as an allowable activity which may be funded under the 9% discretionary set-aside, it does not anticipate a shortfall in funds for the Community Economic Development (CED) and Rural Community Facilities (RCF) programs. The Appropriations Committee has traditionally provided funds for four separate programs out of the 9% set-aside—the CED and RCF programs, which are allowable activities under this section, and the National Youth Sports Program (NYSP) and the Community Food and Nutrition Program (CFNP) which are separate discretionary programs.

The Committee bill clearly provides the CFNP and the NYSP with their own separately appropriated accounts. The Committee intends for these two programs to be provided with their own appropriations, rather than including them under the 9% set-aside where they compete with funds for programs specifically authorized under the block grant.

Drug testing and paternity determinations

The Committee-reported bill includes a provision clarifying that nothing in the Subtitle shall be construed to prohibit a State from testing participants in programs, activities or services carried out under CSBG for controlled substances, or from sanctioning such participants who test positive for any such substances. The bill further specifies that any funds provided under this subtitle that are expended for such testing, must come from the State's administrative account, which is limited to 5 percent of the State's total allotment.

The Committee-reported bill also includes provisions directing eligible entities to inform custodial parents in single-parent families that participate in programs, activities, or services carried out under CSBG about the availability of child support services. The bill further directs eligible entities to establish referral arrangements with State and local government child support offices, and to refer participants to such offices as appropriate.

Individual development accounts

In an amendment offered by Mr. Souder of Indiana, Ms. Woolsey of California, Mr. Talent of Missouri, and Mr. Fattah of Pennsylvania, during Committee consideration of H.R. 4271, a new demonstration program was added to the Community Services Block Grant Act authorizing \$100 million over 4 years for establishment of Individual Development Accounts (IDAs). IDAs are dedicated, matched savings accounts that can be used for purchasing a first home, meeting the costs of postsecondary education, capitalizing a business, or addressing certain defined hardship cases. Under the

IDA program, nonprofit organizations or state and local governments enter into partnerships with low-income individuals who deposit a self-determined amount from their earned income in the account. The sponsoring organizations match the individual's deposit with funds provided through this demonstration authority and other non-federal sources.

This legislation supports the work that States and community based organizations are doing in support of IDAs and other asset based development strategies. The Committee believes that IDAs hold great promise as a strategy to enable low-income people and communities to move forward economically, participate in the mainstream economy, and realize their dreams of good jobs, opening their own small businesses, going to college, owning a home, and bequeathing a better future for their children.

TITLE II—LOW INCOME HOME ENERGY ASSISTANCE PROGRAM

The Low Income Home Energy Assistance Program (LIHEAP) provides a critical safety net for approximately 4.3 million low-income families (in all 50 States) who cannot afford to heat their homes in the winter and cool them in the summer. Almost 70 percent of recipient families have annual incomes of less than \$8,000, 33 percent have at least one member who is elderly, and 25 percent have one member who is disabled. In addition, approximately one-third of participating households have children under the age of six.

The Committee has authorized LIHEAP at the FY 1998 funding level of \$1.1 billion in fiscal year 2000, and such sums as determined necessary in fiscal year 2001.

The Committee continues to recognize the need in times of crisis for emergency/contingency funds to be released by the President and has extended the authorization for this program through fiscal year 2001.

The Committee also extended the authorization of the leveraging program through fiscal year 2001. Under this program, funds are used to reward States for initiatives that raise matching and private sector funds for LIHEAP-related activities.

Since 1996, 25 percent of leveraging funds have been set aside for the Residential Energy Assistance Challenge (REACH) program. This program allows grantees to apply for funds to help eligible clients reduce their energy vulnerability. The Committee has asked the Comptroller General to conduct an evaluation of the REACH program and report its findings within two years of the date of enactment of this Act. The Committee believes this study should examine the uses of REACH funding and the amount of funds that have been leveraged under the program.

The Committee has been concerned about problems related to the release of emergency LIHEAP funds. A new provision has been added in the Committee-reported bill to clarify the criteria by which the President can release LIHEAP funds during a natural disaster or emergency. The Committee is very concerned that the President and the Secretary have felt constrained by the LIHEAP statute when called upon by Members of Congress and Governors to release emergency funds during crises that may not be exclusively temperature driven, such as the spike in heating oil prices

during the winter of 1996-97 and the severe ice storms in the Northeast during the winter of 1997-98.

The Committee-reported bill specifically authorizes the President to release LIHEAP emergency funds during natural disasters that include, but are not limited to, cold or hot weather events, floods, earthquakes, tornadoes, hurricanes, or ice storms. The Committee has also clarified that the term “emergency” means a natural disaster: a significant home energy supply shortage or disruption; a significant increase in the cost of home energy, as determined by the Secretary; a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data; a significant increase in participation in a public benefit program such as the Food Stamp program; a significant increase in unemployment or layoffs; or any other event meeting criteria as the Secretary may determine to be appropriate.

In determining whether a release of emergency funds should be made to a State, the Secretary shall take into account the extent to which the State was affected by the emergency or disaster; the availability of other resources and other relevant criteria. It is expected that the Secretary will notify Congress within 30 days of making a decision on the release of emergency funds, and shall notify individual Members of Congress of the status of their request for release of emergency funds within 30 days of receipt of such request.

SECTION-BY-SECTION ANALYSIS

TITLE I—AMENDMENTS TO THE COMMUNITY SERVICES BLOCK GRANT ACT

Section 101 sets forth the short title of the Act as the “Community Services Authorization Act of 1998”.

Section 102 amends sections 671 through 680 of the Community Services Block Grant Act as follows:

SUBTITLE B—COMMUNITY SERVICES BLOCK GRANT PROGRAM

“Section 671 sets forth the short title of this subtitle as the ‘Community Services Block Grant Act’.

“Section 672 sets forth the purposes and goals of Part A (as redesignated) of the subtitle.

“Section 673 contains definitions of ‘eligible entity’; ‘poverty line’; ‘private nonprofit organization’; ‘Secretary’; and ‘State’.

“Section 674 authorizes appropriations of \$535,000,000 for FY 1999 and such sums as may be necessary for each of FY 2000 through 2003 to carry out the provisions of Part A (as redesignated) of this subtitle (other than section 681 and 682). Of annual appropriations, the Secretary must reserve half of 1 percent for payments to territories; 1 and one-half percent for activities of the Secretary including technical assistance and monitoring activities under sections 678 through 678F; and not more than 9 percent for discretionary activities under section 680.

“Section 675 authorizes the Secretary to establish a community services block grant program and to make grants through the program to States to ameliorate the causes of poverty in communities within the States.

“Section 675A authorizes the Secretary to apportion reserved funds among the territories and Freely Associated States on the basis of need, and requires each territory and Freely Associated State wishing to receive a grant to submit to the Secretary, and obtain approval of, an application that describes the program for which assistance is sought.

“Section 675B sets forth the provisions for allotment and payment of funds to States.

“Section 675C sets forth the provisions for the use of funds by States, including a requirement that not less than 90 percent of funds be used by the State to make grants to eligible entities; a listing of the allowable uses of funds for statewide activities; and establishes a process within States through which unobligated funds may be redistributed.

“Section 676 requires each State wishing to receive an allotment of funds to designate a lead agency to carry out State activities under the Act, and to submit an application and plan to the Secretary, containing specified assurances and information.

“Section 676A sets forth the provisions regarding the designation and redesignation by States of eligible entities in unserved areas of the State.

“Section 676B sets forth provisions regarding tripartite boards for eligible entities.

“Section 677 sets forth provisions regarding direct payment of funds by the Secretary to Indian tribes and tribal organizations.

“Section 678 requires the Secretary to carry out functions under this subtitle through an Office of Community Services, through grants, contracts, or cooperative agreements.

“Section 678A sets forth provisions regarding the use of funds, for training and technical assistance by the Secretary; and requires that at least one-half of the funds used by the Secretary be distributed to States and local eligible entities. Such activities shall assist States and localities in meeting the evaluation, performance measurement, corrective action, reporting, and data collection requirements of the Act.

“Section 678B sets forth the provisions for state monitoring of eligible entities to determine whether such entities meet performance goals, administrative standards, financial management requirements, and other requirements of the State.

“Section 678C sets forth the provisions for corrective action, termination and reduction of funding, in cases where a State determines that an eligible entity materially fails to comply with the terms of an agreement or the State plan, or to meet appropriate standards, goals, and other requirements established by the State.

“Section 678D sets forth provisions for fiscal controls, audits, and withholding of federal funds.

“Section 678E sets forth State and federal accountability and reporting provisions, requiring States and eligible entities to participate in a performance measurement system facilitated by the Secretary, or an alternative system; requiring States to submit an annual report to the Secretary on the performance of eligible entities within the State; and requiring the Secretary to submit to Congress an annual report containing specified information.

“Section 678F sets forth limitations on the use of funds for construction of facilities and political activities and establishes non-discrimination provisions.

“Section 679 sets forth provisions regarding the participation of faith-based organizations in programs under this subtitle.

“Section 680 sets forth provisions regarding the use of funds, reserved under section 674, by the Secretary for specified discretionary activities including community economic development, rural community development, and neighborhood innovation projects.

Section 103 amends the Community Services Block Grant Act by striking section 681 and redesignating section 681A as section 681; by extending the authorization of the Community Food and Nutrition Program through FY 2003 and authorizes appropriations of \$5,000,000 for such program; by extending the authority for the National Youth Sports Program through FY 2003; and by striking section 683 and section 684 and inserting new sections as follows:

“Section 683 sets forth provisions that States shall not be prohibited from testing participants of programs, activities, or services carried out under this subtitle for controlled substances, or from imposing sanctions on such participants who test positive for any such substances; and allows States to use State Administrative funds to pay for such testing. Section 683 also requires eligible entities receiving a grant under section 675C to inform custodial parents in single-parent families participating in programs, activities or services carried out under this subtitle about the availability of child support services, and refer eligible parents to such child support services.

“Section 684 provides that any reference in law to the poverty line set forth in section 624 or 625 of the Economic Opportunity Act shall be construed as a reference to the poverty line defined in section 673 of this title. Any reference in law to a community action agency designated under title II of the Economic Opportunity Act shall be construed to be a reference to an eligible entity under the Community Services Block Grant program.

Section 104 adds a new part to the Community Services Block Grant which authorizes a four year demonstration program for individual development accounts (IDAs) which are matched savings accounts for low-income individuals which can be used for post-secondary education, purchase of a first home, and business capitalization. The program is authorized at \$25 million for each of the fiscal years 1999, 2000, 2001, and 2002.

Section 105 sets forth the effective date of this title as the date of enactment, and specifies that the application of amendments shall not apply with respect to fiscal years ending before October 1, 1998.

TITLE II—AMENDMENTS TO THE LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981

Section 201 sets forth the short title of title II as the “Low-Income Home Energy Assistance Amendments of 1998”.

Section 202 amends section 2602(b) of the Low Income Home Energy Assistance Act of 1981 to extend the authorization of the program at \$1,100,000 for FY 2000 and such sums as may be nec-

essary for FY 2001. This section also amends section 2602(d) of the Act to extend the authorization for the Incentive Program for Leveraging Non-Federal Resources at \$50,000,000 through FY 2001.

Section 203 makes technical amendments to section 2603 containing the Act's definitions.

Section 204 amends section 2603 of the Act by adding a new section pertaining to natural disasters and other emergencies. This section clarifies the criteria by which LIHEAP funds can be released in an emergency or natural disaster. The standards under which such funds may be released include: (1) a natural disaster; (2) a significant home energy supply shortage or disruption; (3) a significant increase in the cost of home energy, as determined by the Secretary; (4) a significant increase in home energy disconnections reported by a utility, a State regulatory agency, or another agency with necessary data; (5) a significant increase in participation in a public benefit program such as the food stamp program; (6) a significant increase in unemployment or layoffs; or (7) any other event meeting criteria as the Secretary may determine to be appropriate.

Section 205 amends section 2604 of the Act to clarify the participation of the Freely Associated States in the LIHEAP program.

Section 206 amends section 2605 of the Act, regarding administration, making certain technical and conforming amendments, and specifying that weatherization services be provided to households with the lowest incomes that pay a high percentage of their income on home energy.

Section 207 amends section 2607(b)(2)(B) of the Act to disallow certain transfers out of the program.

Section 208 amends the title to require the Comptroller General to conduct an evaluation of the Residential Energy Assistance Challenge program and to report on its finding within 2 years of the date of enactment of this Act.

EXPLANATION OF AMENDMENTS

The Amendment in the Nature of a Substitute is explained in the body of this report.

APPLICATION OF LAW TO THE LEGISLATIVE BRANCH

Section 102(b)(3) of Public Law 104-1 requires a description of the application of this bill to the legislative branch. This bill extends the authorization of the Community Services Block Grant Act through the year 2003, and makes changes to Act that will better enable States and local communities to eradicate poverty, revitalize high poverty neighborhoods, and empower low-income individuals and communities to become self-sufficient; and extends the authorization of the Low Income Home Energy Assistance Program through the year 2001. The bill does not prevent legislative branch employees from receiving the benefits of this legislation.

CONSTITUTIONAL AUTHORITY STATEMENT

The Community Services Block Grant Act and the Low Income Home Energy Assistance Program and the amendments thereto

made by this bill are within Congress's authority under Article I, section 8, clause 1 of the Constitution.

UNFUNDED MANDATE STATEMENT

Section 423 of the Congressional Budget and Impoundment Control Act requires a statement of whether the provisions of the reported bill include unfunded mandates. This bill extends the authorization of the Community Services Block Grant Act through the year 2003, and makes changes to Act that will better enable States and local communities to eradicate poverty, revitalize high poverty neighborhoods, and empower low-income individuals and communities to become self-sufficient; and extends the authorization of the Low Income Home Energy Assistance Program through the year 2001. As such, the bill does not contain any unfunded mandates.

STATEMENT OF OVERSIGHT FINDINGS AND RECOMMENDATIONS OF THE COMMITTEE

In compliance with clause 2(1)(3)(A) of Rule XI and clause 2(b)(1) of Rule X of the Rules of the House of Representatives, the Committee's oversight findings and recommendations are reflected in the body of this report.

STATEMENT OF OVERSIGHT FINDINGS OF THE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

With respect to the requirement of clause 2(1)(3)(D) of Rule XI of the Rules of the House of Representatives, the Committee has received no report of oversight findings and recommendations from the Committee on Government Reform and Oversight on the subject of H.R. 4271.

COMMITTEE ESTIMATE

Clause 7 of Rule XIII of the Rules of the House of Representatives requires an estimate and a comparison by the Committee of the costs that would be incurred in carrying out H.R. 4271. However, clause 7(d) of that rule provides that this requirement does not apply when the Committee has included in its report a timely submitted cost estimate of the bill prepared by the Director of the Congressional Budget Office under section 403 of the Congressional Budget Act.

BUDGET AUTHORITY AND CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

With respect to the requirements of clause 2(1)(3)(B) of Rule XI of the House of Representatives and section 308(a) of the Congressional Budget Act of 1974 and with respect to requirements of 2(1)(3)(C) of Rule XI of the House of Representatives and section 403 of the Congressional Budget Act of 1974, the Committee has received the following cost estimate for H.R. 4271 from the Director of the Congressional Budget Office:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, July 31, 1998.

Hon. WILLIAM F. GOODLING,
*Chairman, Committee on Education and the Workforce,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 4271, the Community Services Authorization Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Sheila Dacey (for federal costs), Marc Nicole (for the state and local impact), and Bruce Vavrichek (for the private-sector impact).

Sincerely,

JUNE E.O'NEILL, *Director.*

Enclosure.

H.R. 4271—Community Services Authorization Act of 1998

Summary: H.R. 4271 would reauthorize the Low-Income Home Energy Assistance and Community Service Block Grant programs. It would also authorize a new demonstration program designed to encourage savings by individuals with low income and assets. Assuming appropriation of the authorized amounts, outlays for these programs would total \$10 billion over the 1999–2003 period. Because enactment of H.R. 4271 would not affect direct spending or receipts, pay-as-you-go procedures would not apply.

H.R. 4271 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates and Reform Act (UMRA). The bill would, however, impose new data collection, monitoring, and referral requirements on state, local, and tribal governments that administer community service programs. CBO estimates that the costs of meeting these requirements would total about \$1 million annually. Under UMRA, such conditions of federal assistance are not mandates.

Estimated cost to the Federal Government: The estimated budgetary effect of H.R. 4271 is summarized in Table 1. The costs of this legislation fall within budget function 500 (education, training, employment, and social services) and function 600 (income security).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 4271

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
SPENDING SUBJECT TO APPROPRIATION						
Without Adjustments for Inflation						
Authorizations under current law:						
Estimated authorization level ¹	1,842	2,650	600	600	600	600
Estimated outlays	1,700	2,239	812	341	300	300
Proposed changes:						
Estimated authorization level		580	1,730	1,730	580	555
Estimated outlays		403	1,559	1,867	1,026	736
Authorizations under H.R. 4271:						
Estimated authorization level ¹	1,842	3,230	2,330	2,330	1,180	1,155
Estimated outlays	1,700	2,642	2,371	2,208	1,326	1,036

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 4271—Continued
 [By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
With Adjustments for Inflation						
Authorizations under current law:						
Estimated authorization level ¹	1,842	2,650	600	600	600	600
Estimated outlays	1,700	2,239	812	341	300	300
Proposed changes:						
Estimated authorization level		580	1,743	1,786	611	611
Estimated outlays		403	1,567	1,910	1,068	786
Authorization under H.R. 4271:						
Estimated authorization level ¹	1,842	3,230	2,343	2,386	1,221	1,211
Estimated outlays	1,700	2,642	2,379	2,251	1,368	1,086

¹The 1998 level is the amount appropriated for that year.

Note.—Components may not sum to totals because of rounding.

Basis of estimate: Tables 2 and 3 detail the estimated impact of H.R. 4271 on spending subject to appropriation by title, with and without adjustments for inflation. In general, CBO assumes current spending patterns in estimates of outlays.

TABLE 2. ESTIMATED EFFECTS OF H.R. 4271 ON AUTHORIZATIONS OF APPROPRIATIONS, WITHOUT ADJUSTMENTS FOR INFLATION
 [By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
Authorizations Under Current Law						
Community Service Block Grant Program:						
Budget authority	542	0	0	0	0	0
Estimated outlays	542	232	23	0	0	0
Low-Income Home Energy Assistance:						
Estimated authorization level ¹	1,300	2,650	600	600	600	600
Estimated outlays	1,158	2,008	789	341	300	300
Total authorizations:						
Estimated authorization level ¹	1,842	2,650	600	600	600	600
Estimated outlays	1,700	2,239	812	341	300	300
Changes Under H.R. 4271						
Community Service Block Grant Program:						
Estimated authorization level		555	555	555	555	555
Estimated outlays		325	531	555	555	555
Assets for Independence:						
Estimated authorization level		25	25	25	25	0
Estimated outlays		3	19	35	34	8
Low-Income Home Energy Assistance:						
Estimated authorization level		0	1,150	1,150	0	0
Estimated outlays		75	1,010	1,277	438	173
Total changes:						
Estimated authorization level		580	1,730	1,730	580	555
Estimated outlays		403	1,559	1,867	1,026	736
Total Authorizations Under H.R. 4271						
Total authorizations:						
Estimated authorization level ¹	1,842	3,230	2,330	2,330	1,180	1,155
Estimated outlays	1,700	2,642	2,371	2,208	1,326	1,036

¹The 1998 level is the amount appropriated for that year.

Note.—Components may not sum to totals because of rounding.

TABLE 3. ESTIMATED EFFECTS OF H.R. 4271 ON AUTHORIZATIONS OF APPROPRIATIONS, WITH ADJUSTMENTS FOR INFLATION

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
Authorizations Under Current Law						
Community Service Block Grant Program:						
Budget authority	542	0	0	0	0	0
Estimated outlays	542	232	23	0	0	0
Low-Income Home Energy Assistance:						
Estimated authorization level ¹	1,300	2,650	600	600	600	600
Estimated outlays	1,158	2,008	789	341	300	300
Total authorizations:						
Estimated authorization level ¹	1,842	2,650	600	600	600	600
Estimated outlays	1,700	2,239	812	341	300	300
Changes Under H.R. 4271						
Community Service Block Grant Program:						
Estimated authorization level		555	568	582	596	611
Estimated outlays		325	539	576	590	604
Assets for Independence:						
Estimated authorization level		25	25	25	25	0
Estimated outlays		3	19	35	34	8
Low-Income Home Energy Assistance:						
Estimated authorization level		0	1,150	1,179	0	0
Estimated outlays		75	1,010	1,299	444	174
Total changes:						
Estimated authorization level		580	1,743	1,786	621	611
Estimated outlays		403	1,567	1,910	1,068	786
Total Authorizations Under H.R. 4271						
Total authorizations:						
Estimated authorization level ¹	1,842	3,230	2,343	2,386	1,221	1,211
Estimated outlays	1,700	2,642	2,379	2,251	1,368	1,086

¹ The 1998 level is the amount appropriated for that year.

Note.—Components may not sum to totals because of rounding.

Title I, Part A: Community Services Block Grant. H.R. 4271 would reauthorize the Community Services Block Grant (CSBG) and related programs. CSBG is a grant to states to provide a wide variety of anti-poverty activities. Authorizations for CSBG and related programs would total \$555 million in 1999 and \$2.8 billion over the 1999–2003 period, not including adjustments for inflation.

The bill would authorize CSBG at \$535 million in 1999 and such sums as necessary for the following four years. It would make several changes to the program that CBO estimates would have no budgetary effect, including allowing states to recapture and reobligate funds that had been passed through to local agencies and remain unspent for a given period of time, clarifying that nonprofit organizations include faith-based organizations, requiring states to participate in a performance measurement system, allowing states with charity tax credits more flexibility in how they spend grant funds, and establishing a new program of grants to neighborhood-based nonprofit organizations.

The bill would also reauthorize the Community Food and Nutrition programs at \$5 million in 1999 and such sums as necessary for the following four years and the National Youth Sports programs at \$15 million in 1999 and such sums as necessary for the following four years.

Title II, Part B: Assets for Independence. H.R. 4271 would establish a new demonstration program designed to encourage saving by

individuals with low income and assets. The program would be authorized at \$25 million annually for 1999 through 2002. Demonstration grants would be awarded to nonprofit organizations up to the lesser of \$1 million or the aggregate amount of funds committed as matching funds by nonfederal sources. Grantees would deposit federal and nonfederal funds received for the demonstration project in a reserve fund pending disbursement to program participants. Grantees would use the interest earned on the reserve fund for program purposes.

Individuals with low incomes and assets would be eligible to participate in the program. Grantees would match participants' deposits into savings accounts, called individual development accounts (IDAs). The matching contributions would be between \$0.50 and \$4 for every \$1 of earned income deposited in the IDA by a participant. Participants could withdraw funds from the IDA only for specified purposes such as paying for postsecondary education, first-time home purchase, or business capitalization.

Because it would take several months for the Secretary to award grants and for the grantees to accumulate matching funds, CBO estimates that only 10 percent of the grant would be spent in 1999. The rate of spending would accelerate in each of the following three years.

Title III: Low-Income Home Energy Assistance. H.R. 4271 would reauthorize the Low-Income Home Energy Assistance program (LIHEAP) at \$1.15 billion in each of fiscal years 2000 and 2001. The bill would also change how a separate grant for emergency energy assistance would operate, increasing federal spending on those grants.

The bill would reauthorize the basic LIHEAP grant, a formula grant to states to provide energy assistance to low-income households, at \$1.1 billion a year in 2000 and 2001. It would also reauthorize, at \$50 million each of those years, the incentive program to encourage states to develop nonfederal energy assistance resources and the Residential Energy Assistance Challenge (REACH) program that gives grants to states to operate energy-efficiency educational programs. These programs are currently authorized through the end of 1999.

The bill would change the operation of the grant for additional energy assistance to states after a natural disaster or other emergency. That grant is permanently authorized at \$600 million annually. Funds are made available only after a formal determination by the President that includes a designation of the amount requested as an emergency requirement under the Balanced Budget and Emergency Deficit Control Act of 1985. H.R. 4271 would create a new definition of emergency that would result in a greater share of available emergency funds being spent than in the past. Under current law, in an average year, 50 percent of the emergency funds made available are distributed by the Administration. The bill would define emergency to include: a natural disaster; a significant shortage of home energy supply; or a significant increase in the cost of home energy, the number of home energy disconnections, participation in public benefit programs, or the number of unemployed. That definition of emergency is much broader than the one the Administration currently uses to determine whether to declare

an emergency and release additional LIHEAP funds. CBO estimates that, under the new definition, 75 percent of the available emergency funds would be spent. The provision would affect outlays starting in 1999.

Estimated Impact on State, local, and tribal governments: H.R. 4271 contains no intergovernmental mandates as defined in UMRA. The bill would reauthorize the Community Services Block Grant and Low-Income Home Energy Assistance program that provide grants to state, local, and tribal governments and nonprofit agencies. H.R. 4271 would impose new data collection, monitoring, and referral requirements on state, local, and tribal governments that operate these programs. CBO estimates that the cost of meeting these requirements would total about \$1 million annually. Under UMRA, such conditions of federal assistance are not mandates. For fiscal year 1998, CBO estimates that state, local, and tribal governments will receive approximately \$1.8 billion in grants from the programs being reauthorized under the bill. Some of these funds will be distributed to individuals and nonprofit organizations.

Estimated impact on the private sector: H.R. 3874 contains no private-sector mandates as defined in UMRA.

Previous CBO estimate: On July 20, 1998, CBO provided an estimate of S. 2206, the Human Services Reauthorization Act of 1998. Where the provisions of S. 2206 and H.R. 4271 are the same, the estimates are identical. This estimate corrects one error in the estimate of S. 2206. The emergency appropriation for LIHEAP of \$600 million should have been shown as permanently authorized.

Estimate prepared by: Federal costs—Sheila Dacey; impact on state, local, and tribal governments—Marc Nicole; impact on the private sector: Bruce Varichek.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

ROLLCALL VOTE

COMMITTEE ON EDUCATION AND THE WORKFORCE

ROLL CALL 1 BILL H.R. 4271 DATE July 29, 1998
 AMENDMENT NUMBER 3 DEFEATED 17 - 22
 SPONSOR/AMENDMENT Mr. Kind / amendment to modify the authorization of LIHEAP

MEMBER	AYE	NO	PRESENT	NOT VOTING
Mr. GOODLING, Chairman		X		
Mr. PETRI, Vice Chairman				X
Mrs. ROUKEMA		X		
Mr. FAWELL		X		
Mr. BALLENGER		X		
Mr. BARRETT		X		
Mr. HOEKSTRA		X		
Mr. McKEON		X		
Mr. CASTLE		X		
Mr. JOHNSON		X		
Mr. TALENT		X		
Mr. GREENWOOD		X		
Mr. KNOLLENBERG		X		
Mr. RIGGS		X		
Mr. GRAHAM		X		
Mr. SOUDER		X		
Mr. McINTOSH				X
Mr. NORWOOD		X		
Mr. PAUL				X
Mr. SCHAFFER		X		
Mr. PETERSON		X		
Mr. UPTON		X		
Mr. DEAL		X		
Mr. HILLEARY		X		
Mr. PARKER		X		
Mr. CLAY	X			
Mr. MILLER				X
Mr. KILDEE	X			
Mr. MARTINEZ	X			
Mr. OWENS	X			
Mr. PAYNE	X			
Mrs. MINK	X			
Mr. ANDREWS	X			
Mr. ROEMER	X			
Mr. SCOTT	X			
Ms. WOOLSEY	X			
Mr. ROMERO-BARCELO				X
Mr. FATTAH	X			
Mr. HINOJOSA				X
Mrs. McCARTHY	X			
Mr. TIERNEY	X			
Mr. KIND	X			
Ms. SANCHEZ	X			
Mr. FORD	X			
Mr. KUCINICH	X			
TOTALS	17	22		6

CORRESPONDENCE

COMMITTEE ON WAYS AND MEANS,
Washington, DC, July 21, 1998.

Hon. WILLIAM F. GOODLING,
Chairman, Committee on Education and the Workforce,
Washington, DC.

DEAR BILL: I am writing concerning H.R. 4271, the "Community Services Block Grant Amendments of 1998," which is scheduled to be considered by the Committee on Education and the Workforce on Wednesday, July 22, 1998. I understand that an amendment may be offered by Mr. Souder, Mr. Talent, and Ms. Woolsey consisting of the text of H.R. 4254, the "Assets for Independence Act," which would authorize \$25 million per year for five years to conduct demonstration projects on individual development accounts. H.R. 4254, as introduced, was referred to the Committee on Ways and Means, and in addition to the Committee on Education and the Workforce.

I do not object to consideration of this amendment by your Committee. Accordingly, in order to expedite consideration of this legislation, I do not believe that a markup by the Committee on Ways and Means will be necessary on H.R. 4271, should the amendment be adopted. This is being done with the understanding that it does not in any way prejudice the Committee's jurisdictional prerogatives on this necessary or any other similar legislation, and it should not be considered as precedent for consideration of matters of jurisdictional interest to the Committee in the future.

I would appreciate your response to this letter, confirming this understanding with respect to H.R. 4271 and the proposed amendment, and would ask that a copy of our exchange of letters on this matter be included in your committee report. With best personal regards,

Sincerely,

BILL ARCHER, *Chairman.*

COMMITTEE ON EDUCATION AND THE WORKFORCE
Washington, DC, July 27, 1998.

Hon. BILL ARCHER,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

DEAR CHAIRMAN ARCHER. Thank you for your letter of July 21, 1998 regarding H.R. 4271, the Community Services Block Grant Amendments of 1998, which is now scheduled for consideration by the Committee on Education and the Workforce on Wednesday, July 29, 1998. As you have correctly noted, it is my understanding that Mr. Souder intends to offer an amendment consisting of the text of H.R. 4254, the "Assets for Independent Act," which was referred to the Committee on Ways and Means and in addition to the Committee on Education and the Workforce.

I thank you for your willingness to facilitate expediting consideration of H.R. 4271, should the Souder amendment be adopted by the Committee, and to forego a markup by the Committee on Ways and Means on this amendment. I agree that this procedural route

should not be construed to prejudice the Committee on Ways and Means' jurisdictional interest and prerogatives on this amendment or any other similar legislation and will not be considered as precedent for consideration of matters of jurisdictional interest to your Committee in the future.

I thank you for working with me regarding this matter. Your letter and this response will be included in the Committee report to accompany H.R. 4271. If you have questions regarding this matter, please do not hesitate to call me.

Sincerely,

BILL GOODLING, *Chairman.*

COMMITTEE ON COMMERCE,
Washington, DC, August 6, 1998.

Hon. WILLIAM F. GOODLING,
*Chairman, Committee on Education and the Workforce,
House of Representatives, Washington, DC.*

DEAR CHAIRMAN GOODLING: I understand that on Wednesday, July 29, 1998, the Committee on Education and the Workforce ordered reported H.R. 4271, the Community Services Block Grant Amendments of 1998. It is further my understanding that during its full Committee consideration, the Education Committee adopted an amendment to H.R. 4271 consisting of a reauthorization of the Low Home Energy Assistance Act. As you know, the Low Income Home Energy Assistance Act is within the jurisdiction of both the Committee on Education and the Workforce and the Committee on Commerce.

Recognizing your Committee's desire to bring this legislation before the House before the end of the session, I will not seek a sequential referral of the bill. By agreeing not to seek a sequential referral, the Commerce Committee does not waive its jurisdictional interest in H.R. 4271 or any related legislation; my decision not to seek a sequential referral of H.R. 4271 should not be construed in any other way to prejudice the jurisdiction of the Commerce Committee. Furthermore, I would appreciate your support of my efforts to seek appropriate representation for the Commerce Committee on any House-Senate conference that may be convened on this legislation.

Thank you again for your attention to our jurisdictional interests in H.R. 4271. I would appreciate your acknowledgment of this letter and request that our exchange of letters be included in the Education Committee's report on H.R. 4271.

Sincerely,

TOM BLILEY, *Chairman.*

COMMITTEE ON EDUCATION AND THE WORKFORCE,
Washington, DC, August 6, 1998.

Hon. TOM BLILEY,
*Chairman, Committee on Commerce,
House of Representatives, Washington, DC.*

DEAR CHAIRMAN BLILEY: Thank you for your letter of today regarding H.R. 4271, the Community Services Block Grant Amend-

ments of 1998, which was ordered favorably reported by the Committee on Education and the Workforce on Wednesday, July 29, 1998. As you have correctly noted, I offered an amendment consisting of a reauthorization of the Low Income Home Energy Assistance Act, which is within the jurisdiction of the Committee on Commerce and the Committee on Education and the Workforce.

I thank you for your willingness to facilitate expediting consideration of H.R. 4271 and to forego a markup by the Committee on Commerce on this amendment as added to this bill. I agree that this procedural route should not be construed to prejudice the Committee on Commerce's jurisdictional interest and prerogatives on this amendment or any other similar legislation and will not be considered as precedent for consideration of matters of jurisdictional interest to your Committee in the future.

I very sincerely appreciate and thank you for working with me regarding this matter. Your letter and this response will be included in the Committee report to accompany H.R. 4271. If you have questions regarding this matter, please do not hesitate to call me.

Sincerely,

BILL GOODLING, *Chairman*.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

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

COMMUNITY SERVICES BLOCK GRANT ACT

[Subtitle B—Community Services Block Grant Program

[SHORT TITLE

[SEC. 671. This subtitle may be cited as the "Community Services Block Grant Act".

[COMMUNITY SERVICES GRANTS AUTHORIZED

[SEC. 672. (a) The Secretary is authorized to make grants in accordance with the provisions of this subtitle, to States to ameliorate the causes of poverty in communities within the State.

[(b) There are authorized to be appropriated \$525,000,000 for fiscal year 1995, and such sums as may be necessary for each of fiscal years 1996 through 1998, to carry out the provisions of this subtitle.

[DEFINITIONS

[SEC. 673. For purposes of this subtitle:

[(1) The term "eligible entity" means any organization which was officially designated as a community action agency or a community action program under the provisions of section 210 of the Economic Opportunity Act of 1964 for fiscal year 1981, or which came into existence during fiscal year 1982 as a di-

rect successor in interest to such a community action agency or community action program and meets all the requirements under section 675(c)(3) of this Act with respect to the composition of the board, unless such community action agency or a community action program lost its designation under section 210 of such Act as a result of a failure to comply with the provisions of such Act. The term “eligible entity” also includes any limited purpose agency designated under title II of the Economic Opportunity Act of 1964 for fiscal year 1981 which served the general purposes of a community action agency under title II of such Act, unless such designated agency lost its designation under title II of such Act as a result of a failure to comply with the provisions of such Act, any grantee which received financial assistance under section 222(a)(4) of the Economic Opportunity Act of 1964 in fiscal year 1981, and any organization to which a State which applied for and received a waiver from the Secretary under Public Law 98-139 made a grant under this Act in fiscal year 1984. If any geographic area of a State is not, or ceases to be, served by an eligible entity, the chief executive officer of the State may decide to serve such a new area by—

【(A) requesting an existing eligible entity which is located and provides services in an area contiguous to the new area to serve the new area;

【(B) if no existing eligible entity is located and provides services in an area contiguous to the new area, requesting the eligible entity located closest to the area to be served or an existing eligible entity serving an area within reasonable proximity of the new area to provide services in the new area; or

【(C) where no existing eligible entity requested to serve the new area decides to do so, designating any existing eligible entity, any organization which has a board meeting the requirements of section 675(c)(3) or any political subdivision of the State to serve the new area. In making a designation under this subparagraph, such chief executive officer shall give priority to such organization. Such officer’s designation of an organization which has a board meeting the requirements of section 675(c)(3) or a political subdivision of the State to serve the new area shall qualify such organization as an eligible entity under this Act.

【(2) 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 the poverty line annually (or at any shorter interval the Secretary deems feasible and desirable) which shall be used as a criterion of eligibility in community service block grant programs. 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 the State determines that it serves the objectives of the block grant established by 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) The term “Secretary” means the Secretary of Health and Human Services.

[(4) The term “State” means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands of the United States, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

【STATE ALLOCATIONS

【SEC. 674. (a)(1) Of the amounts appropriated for a fiscal year pursuant to section 672(b), the Secretary may reserve not less than one-half of 1 percent and not more than 1 percent for training, technical assistance, planning, evaluation, and data collection activities related to programs or projects carried out under this subtitle. Such activities may be carried out by the Secretary through grants, contracts, or cooperative agreements with eligible entities or with organizations or associations whose membership is composed of eligible entities or agencies that administer programs for eligible entities.

【(2) The process for determining the technical assistance and training activities to be carried out under this section shall—

【(A) ensure the needs of community action agencies and programs relating to improving program quality, including financial management practices, are addressed to the maximum extent feasible; and

【(B) incorporate mechanisms to ensure responsiveness to local needs, including an ongoing procedure for obtaining input from the community action State and national network.

【(b)(1) The Secretary shall from the amount appropriated under section 672 for each fiscal year which remains after—

【(A) the Secretary makes the apportionment required in subsection (b)(1); and

【(B) the Secretary determines the amount necessary for the purposes of section 681(d);

allot to each State an amount which 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 part, except that no State shall receive less than one-quarter of 1 percent of the amount appropriated under section 672 for such fiscal year.

【(2)(A) Subject to subparagraphs (B) and (C), if the amount appropriated under section 672 for each fiscal year which remains after—

【(i) the Secretary makes the apportionment required in subsection (b)(1); and

【(ii) the Secretary determines the amount necessary for the purposes of section 681(d);

exceeds \$345,000,000, the Secretary shall allot to each State not less than one-half of 1 percent of the amount appropriated under section 672 for such fiscal year.

[(B) Subparagraph (A) shall not apply with respect to a fiscal year if the amount allotted under paragraph (1) to any State is less than the amount allotted under such paragraph to such State for fiscal year 1990.

[(C) The amount allotted under subparagraph (A) to a State shall be reduced, if necessary, so that the aggregate amount allotted to such State under such subparagraph and paragraph (1) does not exceed 140 percent of the aggregate amount so allotted to such State for the fiscal year preceding the fiscal year for which a determination is made under this paragraph.

[(3) For purposes of this subsection, the term "State" does not include Guam, American Samoa, the Virgin Islands of the United States, the Commonwealth of the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

[(c)(1) The Secretary shall apportion one-half of 1 percent of the amount appropriated under section 672 for each fiscal year on the basis of need among Guam, American Samoa, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.

[(2) Each jurisdiction to which paragraph (1) applies may receive grants under this subtitle upon an application submitted to the Secretary containing provisions which describe the programs for which assistance is sought under this subtitle, and which are consistent with the requirements of section 675.

[(d)(1) If, with respect to any State, the Secretary—

[(A) 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

[(B) 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 which would otherwise be allotted to such State under this subtitle for the fiscal year the amount determined under paragraph (2).

[(2) The Secretary shall reserve for the purpose of paragraph (1) from sums that would otherwise be allotted to such State not less than 100 percent of an amount which bears the same ratio to the State's allotment for the fiscal year involved as the population of all eligible Indians for whom a determination under this paragraph has been made bears to the population of all individuals eligible for assistance under this subtitle in such State.

[(3) The sums reserved by the Secretary on the basis of a determination under this subsection shall be granted to the Indian tribe or tribal organization serving the individuals for whom such a determination has been made.

[(4) In order for an Indian tribe or tribal organization to be eligible for an award for a fiscal year under this subsection, it shall submit to the Secretary a plan for such fiscal year which meets such criteria as the Secretary may prescribe by regulation.

[(5) The terms "Indian tribe" and "tribal organization" means those tribes, bands, or other organized groups of Indians recognized in the State in which they reside or considered by the Secretary of

the Interior to be an Indian tribe or an Indian organization for any purpose.

【APPLICATIONS AND REQUIREMENTS

【SEC. 675. (a) Each State desiring to receive an allotment for a fiscal year under this subtitle shall submit an application to the Secretary. Each such application shall be in such form as the Secretary shall require. Each such application or significant amendments thereof shall contain assurances by the chief executive officer of the State that the State will comply with subsection (b) and will meet the conditions enumerated in subsection (c).

【(b) After the expiration of the first fiscal year in which a State received funds under this subtitle, no funds shall be allotted to such State for any fiscal year under this subtitle unless the legislature of the State conducts public hearings on the proposed use and distribution of funds to be provided under this subtitle for such fiscal year.

【(c) As part of the annual application required by subsection (a), the chief executive officer of each State shall certify that the State agrees to—

【(1) ensure that, at its discretion and consistent with agreements with the State, each recipient of funds available under this subtitle will use such funds—

【(A) to provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community or those areas of the community where poverty is a particularly acute problem;

【(B) to provide activities designed to assist low-income participants including homeless individuals and families, migrants, and the elderly poor—

【(i) to secure and retain meaningful employment;

【(ii) to attain an adequate education;

【(iii) to make better use of available income;

【(iv) to obtain and maintain adequate housing and a suitable living environment;

【(v) to obtain emergency assistance through loans or grants to meet immediate and urgent individual and family needs, including the need for health services, nutritious food, housing, and employment-related assistance;

【(vi) to remove obstacles and solve problems which block the achievement of self-sufficiency;

【(vii) to achieve greater participation in the affairs of the community; and

【(viii) to make more effective use of other programs related to the purposes of this subtitle;

【(C) to provide on an emergency basis for the provision of such supplies and services, nutritious foodstuffs, and related services, as may be necessary to counteract conditions of starvation and malnutrition among the poor;

【(D) to coordinate and establish linkages between governmental and other social services programs to assure the effective delivery of such services to low-income individuals; and 1

[(E) to encourage the use of entities in the private sector of the community in efforts to ameliorate poverty in the community;

[(2)(A) use, for fiscal year 1985 and for each subsequent fiscal year, not less than 90 percent of the funds allotted to the State under section 674 to make grants to use for the purposes described in clause (1) to eligible entities (as defined in section 673(1)) or to organizations serving seasonal or migrant farmworkers, except that no more than 7 percent of the funds available for this subclause shall be granted to organizations which were not eligible entities during the previous fiscal year; and

[(B) if less than 100 percent of the allotment is expended under subparagraph (A), provide assurances that with respect to the remainder of the allotment a reasonable amount shall be used for—

[(i) providing training and technical assistance to those entities in need of such assistance and such activities will not be considered administrative expenses;

[(ii) coordinating State-operated programs and services targeted to low-income children and families with services provided by eligible entities funded under this subtitle, including outposting appropriate State or local public employees into entities funded under this subtitle to ensure increased access to services provided by such State or local agencies;

[(iii) supporting statewide coordination and communication among eligible entities;

[(iv) administrative expenses at the State level, including monitoring activities, but not more than \$55,000 or 5 percent of its allotment under section 674; and

[(v) considering the distribution of funds under this subtitle within the State to determine if such funds have been targeted to the areas of greatest need.

[(3) provide assurances that (A) in the case of a community action agency or nonprofit private organization, each board will be selected by the community action agency or nonprofit private organization and constituted so as to assure that (i) one-third of the members of the board are elected public officials, currently holding office, or their representatives, except that if the number of elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement; (ii) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served; and (iii) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community, and (B) in the case of a public organization receiving funds under this subtitle, such organization either establish—

[(i) a board of which at least one-third of the members are persons chosen in accordance with democratic

selection procedures adequate to assure that they are representative of the poor in the area served; or

[(ii) another mechanism specified by the State to assure low-income citizen participation in the planning, administration, and evaluation of projects for which such organization has been funded;

[(4) give special consideration in the designation of local community action agencies under this subtitle to any community action agency which is receiving funds under any Federal antipoverty program on the date of the enactment of this Act, except that (A) the State shall, before giving such special consideration, determine that the agency involved meets program and fiscal requirements established by the State; and (B) if there is no such agency because of any change in the assistance furnished to programs for economically disadvantaged persons, the State shall give special consideration in the designation of community action agencies to any successor agency which is operated in substantially the same manner as the predecessor agency which did receive funds in the fiscal year preceding the fiscal year for which the determination is made;

[(5) provide assurances that the State may transfer funds, but not to exceed 5 percent of its allotment under section 674, for the provisions set forth in this subtitle to services under the Older Americans Act of 1965, the Head Start program under subchapter B of chapter 8 of subtitle A of this title, the energy crisis intervention program under title XXVI of this Act (relating to low-income home energy assistance), or the Emergency Food Assistance Act of 1983;

[(6) prohibit any political activities in accordance with subsection (e);

[(7) prohibit any activities to provide voters and prospective voters with transportation to the polls or provide similar assistance in connection with an election or any voter registration activity;

[(8) provide for coordination between antipoverty programs in each community, where appropriate, with emergency energy crisis intervention programs under title XXVI of this Act (relating to low-income home energy assistance) conducted in such community;

[(9) provide that fiscal control and fund accounting procedures will be established as may be necessary to assure the proper disbursement of and accounting for Federal funds paid to the State under this subtitle, including procedures for monitoring the assistance provided under this subtitle, and provide that at least every year each State shall prepare, in accordance with subsection (f), an audit of its expenditures of amounts received under this subtitle and amount transferred to carry out the purposes of this subtitle;

[(10) permit and cooperate with Federal investigations undertaken in accordance with section 679;

[(11) provide assurances that any community action agency or migrant and seasonal farmworker organization which received funding in the previous fiscal year under this Act will not have its present or future funding terminated under this

Act, or reduced below the proportional share of funding it received in the previous fiscal year, unless after notice, and opportunity for hearing on the record, the State determines that cause existed for such termination or such reduction subject to the procedures and review by the Secretary as provided in section 676A.

[(A) For purposes of making a determination with respect to a funding reduction, the term “cause” includes—

[(i) a statewide redistribution of funds under this subtitle to respond to—

[(aa) the results of the most recently available census or other appropriate data;

[(bb) the establishment of a new eligible entity;

[(cc) severe economic dislocation; and

[(ii) the failure of an eligible entity to comply with the terms of its agreement to provide services under this subtitle; and

[(B) for purposes of making a determination with respect to a termination, the term “cause” includes the material failure of an eligible entity to comply with the terms of its agreement and community action plan to provide services under this subtitle;

[(12) in the case of a State which applied for and received a waiver from the Secretary under Public Law 98–139, provide assurances that funds will not be provided under this subtitle by such State to an organization to which such State made a grant under this subtitle in fiscal year 1984 unless such organization allows, before expending such funds, low-income individuals to comment on the uses for which such organization proposes to expend such funds;

[(13) secure from each eligible entity as a condition to its receipt of funding under this Act a community action plan (which shall be available to the Secretary for inspection) that includes—

[(A) a community needs assessment (including food needs);

[(B) a description of the service delivery system targeted to low-income individuals and families in the service area;

[(C) a description of how linkages will be developed to fill identified gaps in services through information, referral, case management, and followup consultations;

[(D) a description of how funding under this Act will be coordinated with other public and private resources; and

[(E) a description of outcome measures to be used to monitor success in promoting self-sufficiency, family stability, and community revitalization; and

[(14) provide assurances that cost and accounting standards of the Office of Management and Budget shall apply to a recipient of funds under this subtitle.

The Secretary may prescribe procedures only for the purpose of assessing the effectiveness of eligible entities in carrying out the purposes of this subtitle. The Secretary shall provide to the chief executive officer of each State appropriate information regarding des-

ignated limited purpose agencies and grantees which meet the requirements of the second sentence of section 673(1).

[(d)(1) In addition to the requirements of subsection (c), the chief executive officer of each State shall prepare and furnish to the Secretary a plan which contains provisions describing how the State will carry out the assurances contained in subsection (c). The chief executive officer of each State may revise any plan prepared under this paragraph and shall furnish the revised plan to the Secretary.

[(2) Each plan or revision prepared under paragraph (1) shall be made available for public inspection within the State in such a manner as will facilitate review of, and comment on, the plan.

[Subsection (e) was repealed by section 6 of the Hatch Act Reform Amendments of 1993 (P.L. 103-94). Section 12(a) of such Act provides the amendments made by this Act, shall take effect 120 days after the date of the enactment [October 6, 1993] of this Act.

[(f) Each audit required by subsection (c)(9) 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 audit, the chief executive officer of the State shall submit a copy of such audit to the eligible entity at no charge, to the legislature of the State and to the Secretary.

[(g) 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.

[(h) The Comptroller General of the United States shall, from time to time, evaluate the expenditures by States (including any State that received a waiver under Public Law 98-139) of grants under this subtitle in order to assure that expenditures are consistent with the provisions of this subtitle and to determine the effectiveness of the State in accomplishing the purposes of this subtitle.

ADMINISTRATION

[SEC. 676. (a) There is established in the Department of Health and Human Services an Office of Community Services. The Office shall be headed by a Director.

[(b) The Secretary shall carry out his functions under this subtitle through the Office of Community Services established in subsection (a).

PROCEDURES FOR A REVIEW OF TERMINATION OR REDUCTION OF FUNDING

[SEC. 676A. (a) Whenever a State violates the assurances contained in section 675(c)(11) and terminates or reduces the funding of a community action agency or migrant and seasonal farmworker organization prior to the completion of the State's hearing and the Secretary's review as required in section 679 of this Act, the Secretary shall assume responsibility for providing financial assistance to the community action agency or migrant and seasonal farmworker organization affected. The allotment for the State shall be reduced by an amount equal to the funds provided under this section by the Secretary to such agency or organization.

[(b) The Secretary shall upon request review any termination or reduction of funding to a community action agency or migrant and seasonal farmworker organization protected by a State's assurance under section 675(c)(11). Such review shall be conducted promptly and shall be based upon the record and no determination shall become effective until a finding by the Secretary confirming the State's finding of cause.

[(c) The Secretary shall conduct the review under subsection (b) through the Office of Community Services, which shall promptly conduct such review and issue a written determination together with the reasons of the Secretary therefor.

[NONDISCRIMINATION PROVISIONS]

[SEC. 677. (a) No person shall on the ground 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 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity.

[(b) Whenever the Secretary determines that a State that has received a payment under this subtitle has failed to comply with subsection (a) or an applicable regulation, he shall notify the chief executive officer of the State and shall request him to 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 (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964, the Age Discrimination Act of 1975, or section 504 of the Rehabilitation Act of 1973, as may be applicable; or (3) take such other action as may be provided by law.

[(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that the State is engaged in a pattern or practice in violation of the provisions of this section, 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.

[PAYMENTS TO STATES]

[SEC. 678. (a) From its allotment under section 674, the Secretary shall make payments to each State in accordance with section 203 of the Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4213), for use under this subtitle.

[(b) Payments to a State from its allotment for any fiscal year shall be expended by the State in such fiscal year or in the succeeding fiscal year.

[WITHHOLDING]

[SEC. 679. (a)(1) The Secretary shall, after adequate notice and an opportunity for a hearing conducted within the affected State,

withhold funds from any State which does not utilize its allotment substantially in accordance with the provisions of this subtitle and the assurances such State provided under section 675.

[(2) 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 or the assurances provided by the State under section 675. For purposes of this paragraph, a violation of any one of the assurances contained in section 675(c) that constitutes a disregard of that assurance shall be considered a serious complaint.

[(b)(1) The Secretary shall conduct in several States in each fiscal year evaluations and investigations of the use of funds received by the States under this subtitle in order to evaluate compliance with the provisions of this subtitle, and especially with respect to compliance with subsections (a) and (b) of section 675, and clauses (1) through (11) of subsection (c) of such section. Each such evaluation shall include identifying the impact that assistance furnished under this subtitle has on children, pregnant adolescents, homeless families, and the elderly poor. A report of the evaluation, together with recommendations of improvements designed to enhance the benefit and impact to people in need, will be sent to each State evaluated. Upon receiving the report the State will then submit a plan of action in response to the recommendation contained in the report. The results of the evaluation shall be submitted annually to the Chairman of the Committee on Education and Labor of the House of Representatives and the Chairman of the Committee on Labor and Human Resources of the Senate.

[(2) Whenever the Secretary determines that there is a pattern of complaints 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.

[(3) The Comptroller General of the United States shall conduct an investigation of the use of funds received under this subtitle by a State in order to ensure compliance with the provisions of this subtitle.

[(c) Pursuant to an investigation conducted under subsection (b), a State shall make appropriate books, documents, papers, and records available to the Secretary or 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 therefor.

【LIMITATION ON USE OF GRANTS FOR CONSTRUCTION

【SEC. 680. (a) Except as provided in subsection (b), grants made under this subtitle (other than amounts made available under section 681(d)) 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.

[(b) The Secretary may waive the limitation contained in subsection (a) upon the State's request for such a waiver if he 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 State's ability to carry out the purposes of this subtitle.

[DISCRETIONARY AUTHORITY OF SECRETARY

[SEC. 681. (a) The Secretary is authorized to make grants, loans, or guarantees to States and public agencies and private nonprofit organizations, or to enter into contracts or jointly financed cooperative arrangements with States and public agencies and private nonprofit organizations, to provide for ongoing activities of national or regional significance related to the purposes of this subtitle, with special emphasis on—

[(1) a Community Initiative Program, awarded on a competitive basis, to fund private, nonprofit community development corporations for purposes of planning and carrying out community and economic development activities in economically distressed areas and in rural areas, as described in subsection (c);

[(2) grants to support the design, development, and widespread availability of interactive information technology among the nationwide network of Community Service Block Grant eligible entities, State administrators, national associations and organizations, and program recipients to promote electronic communication and access to program information that would enhance the effective delivery of social services; and

[(3) grants to nonprofit private organizations that provide assistance for migrants and seasonal farmworkers.

[(b) COMMUNITY INITIATIVE PROGRAM.—

[(1) IN GENERAL.—

[(A) ECONOMIC DEVELOPMENT ACTIVITIES.—Economic development activities under this section shall be 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) in consultation with other relevant Federal officials.

[(C) GOVERNING BOARDS.—Each community development corporation receiving funds under this section 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 providing assistance or entering into other arrangements under this section, the Secretary shall take into consideration the geographic distribution of funds among States and the relative proportion of funding among rural and urban areas.

[(E) RESERVATION.—Of the amounts made available to carry out this section, the Secretary may reserve not to ex-

ceed 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 provide technical assistance to aid community development corporations in developing or implementing projects funded under this section and to evaluate projects funded under this section.

[(2) RURAL COMMUNITY DEVELOPMENT ACTIVITIES.—Rural community development activities under this section shall include—

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

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

[(c)(1) The final reports submitted by recipients of assistance under this section on projects completed with such assistance shall be summarized and reported by the Secretary annually to the Chairman of the Committee on Education and Labor of the House of Representatives and the Chairman of the Committee on Labor and Human Resources of the Senate. The report shall contain a list of recipients who have received assistance under this section outside of the competitive process.

[(2) The Secretary shall, at the end of each fiscal year, prepare and distribute a catalog listing all the projects assisted under clause (A) of subsection (a)(2) in such fiscal year. The catalog shall include—

[(A) a description of each project;

[(B) an identification of the agency receiving the award, including the name and address of the principal investigator;

[(C) a description of the project objectives; and

[(D) a statement of the accomplishments of the project.

[(d) Of the amounts appropriated under section 672(b) for any fiscal year, not more than 9 percent of such amounts shall be available to the Secretary for purposes of carrying out this section, section 682, and subchapter A of chapter 8 of subtitle A of this title.]

Subtitle B—Community Services Block Grant Program

SEC. 671. SHORT TITLE.

This subtitle may be cited as the “Community Services Block Grant Act”.

PART A—COMMUNITY SERVICES GRANTS

SEC. 672. PURPOSES AND GOALS.

The purpose of this part is to provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduc-

tion 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.)). Such goals may be accomplished through—

(1) the strengthening of community capabilities for planning, coordinating, and utilizing a broad range of Federal, State, local, and private resources for the elimination of poverty, and for helping individuals and families achieve self-sufficiency;

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

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

(4) the broadening of the resource base of programs directed to the elimination of poverty so as to secure a more active role for private, faith-based, charitable, and neighborhood organizations in the provision of services as well as individual citizens, business, labor, and professional groups who are able to influence the quantity and quality of opportunities and services for the poor.

SEC. 673. DEFINITIONS.

In this part:

(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 Office of Management and Budget based on the most recent data available from the Bureau of the Census. 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 part. 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 part, 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, and the Commonwealth of the Northern Mariana Islands, but for fiscal years ending before October 1, 2001, includes the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau.

SEC. 674. AUTHORIZATION OF APPROPRIATIONS.

(a) **IN GENERAL.**—There are authorized to be appropriated \$535,000,000 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 part (other than sections 681 and 682).

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

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

(2) $1\frac{1}{2}$ percent for activities authorized in sections 678A through 678F, of which—

(A) not less than $\frac{1}{2}$ of the amount reserved by the Secretary under this paragraph shall be distributed directly to local eligible entities or to statewide organizations whose membership is composed of eligible entities, as required under section 678A(c) for the purpose of carrying out activities described in section 678A; and

(B) $\frac{1}{2}$ of the remainder of the amount reserved by the Secretary under this paragraph shall be used to carry out monitoring, evaluation, and corrective activities described in sections 678B(c) and 678A; and

(3) not more than 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)—

(1) for each fiscal year on the basis of need among Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands; and

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

(b) *APPLICATION.*—Each jurisdiction to which subsection (a) applies may receive a grant under this part 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 part, and that are consistent with the requirements of section 676.

(c) *LIMITATION.*—(1) Funds apportioned under subsection (a) for the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau shall be used by the Secretary to make grants on a competitive basis, pursuant to recommendations submitted to the Secretary by the Pacific Region Educational Laboratory of the Department of Education, to the Federated States of Micronesia, the Republic of the Marshall Islands, Palau, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands, for the purpose of carrying out programs in accordance with this part.

(2) Not more than 5 percent of such funds may be used by the Secretary to compensate the Pacific Region Educational Laboratory of the Department of Education for administrative costs incurred in connection with making recommendations under paragraph (1).

(3) Notwithstanding any other provision of law, the Federated States of Micronesia, the Republic of the Marshall Islands, and Palau shall not receive any funds under this part for any fiscal year that begins after September 30, 2001.

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 $\frac{1}{4}$ 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 $\frac{1}{2}$ 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 subsection (a) to such State for fiscal year 1990.

(3) *MAXIMUM ALLOTMENTS.*—The amount allotted under paragraph (1) to a State shall be reduced for a fiscal year, 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 part for the fiscal year preceding the fiscal year for which a determination is made under this subsection.

(c) **ALLOTMENT OF ADDITIONAL FUNDS.**—Notwithstanding subsections (a) and (b), in any fiscal year in which the amount appropriated under section 674(a) exceeds the amount appropriated under such section for fiscal year 1999, such excess shall be allotted among the States proportionately based on—

(1) the number of public assistance recipients in the respective States;

(2) the number of unemployed individuals in the respective States; and

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

(d) **PAYMENTS.**—The Secretary shall make payments to eligible States from the allotments made under this section. The Secretary shall make payments for the grants in accordance with section 6503(a) of title 31, United States Code.

(e) **DEFINITION.**—For purposes of this section, the term “State” does not include Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

SEC. 675C. USES OF FUNDS.

(a) **GRANTS TO LOCAL 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 part.

(b) **STATEWIDE 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 part, including detailing appropriate employees of State or local agencies to entities funded under this part, 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 part 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;

(G) supporting other activities, consistent with the purposes of this part; and

(H) State charity tax credits as described in subsection (c).

(2) **ADMINISTRATIVE CAP.**—No State may spend more than the greater of \$55,000, or 5 percent, of the State's allotment received under section 675B for administrative expenses, including monitoring activities. Funds to be spent for such expenses shall be taken from the portion of the State allotment that remains after the State makes grants to eligible entities under subsection (a). The cost of activities conducted under paragraph (1)(A) shall not be considered to be administrative expenses.

(c)(1) Notwithstanding any other provision of law and subject to paragraph (2), if there is in effect under State law a charity tax credit, then the State may use for any purpose the amount of the allotment that is not expended under subsections (a) and (b).

(2) The aggregate amount a State may use under paragraph (1) during a fiscal year shall not exceed 100 percent of the revenue loss of the State during the fiscal year that is attributable to the charity tax credit, as determined by the Secretary of the Treasury without regard to any such revenue loss occurring before January 1, 1999.

(3) For purposes of this subsection:

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

(B) **QUALIFIED CHARITY.**—

(i) **IN GENERAL.**—The term “qualified charity” means any organization—

(I) which is—

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

(bb) a community action agency as defined in the Economic Opportunity Act of 1964; or

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

(II) which is certified by the appropriate State authority as meeting the requirements of clauses (iii) and (iv); and

(III) if such organization is otherwise required to file a return under section 6033 of such Code, which elects to treat the information required to be furnished by clause (v) as being specified in section 6033(b) of such Code.

(ii) CERTAIN CONTRIBUTIONS TO COLLECTION ORGANIZATIONS TREATED AS CONTRIBUTIONS TO QUALIFIED CHARITY.—

(I) IN GENERAL.—A contribution to a collection organization shall be treated as a contribution to a qualified charity if the donor designates in writing that the contribution is for the qualified charity.

(II) COLLECTION ORGANIZATION.—The term “collection organization” means an organization described in section 501(c)(3) of such Code and exempt from tax under section 501(a) of such Code—

(aa) which solicits and collects gifts and grants which, by agreement, are distributed to qualified charities described in clause (i);

(bb) which distributes to qualified charities described in clause (i) at least 90 percent of the gifts and grants it receives that are designated for such qualified charities; and

(cc) which meets the requirements of clause (vi).

(iii) CHARITY MUST PRIMARILY ASSIST POOR INDIVIDUALS.—

(I) IN GENERAL.—An organization meets the requirements of this clause only if the appropriate State authority reasonably expects that the predominant activity of such organization will be the provision of direct services within the United States to individuals and families whose annual incomes generally do not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget) in order to prevent or alleviate poverty among such individuals and families.

(II) NO RECORDKEEPING IN CERTAIN CASES.—An organization shall not be required to establish or maintain records with respect to the incomes of individuals and families for purposes of subclause (I) if such individuals or families are members of groups which are generally recognized as including substantially only individuals and families described in subclause (I).

(III) FOOD AID AND HOMELESS SHELTERS.—Except as otherwise provided by the appropriate State authority, for purposes of subclause (I), services to individuals in the form of—

(aa) donations of food or meals; or

(bb) temporary shelter to homeless individuals; shall be treated as provided to individuals described in subclause (I) if the location and operation of such services are such that the service provider may reasonably conclude that the beneficiaries of such services are predominantly individuals described in subclause (I).

(iv) *MINIMUM EXPENSE REQUIREMENT.*—

(I) *IN GENERAL.*—An organization meets the requirements of this clause only if the appropriate State authority reasonably expects that the annual poverty program expenses of such organization will not be less than 75 percent of the annual aggregate expenses of such organization.

(II) *POVERTY PROGRAM EXPENSE.*—For purposes of subclause (I)—

(aa) *IN GENERAL.*—The term “poverty program expense” means any expense in providing program services referred to in clause (iii).

(bb) *EXCEPTIONS.*—Such term shall not include any management or general expense, any expense for the purpose of influencing legislation (as defined in section 4911(d) of the Internal Revenue Code of 1986), any expense for the purpose of fundraising, any expense for a legal service provided on behalf of any individual referred to in clause (iii), any expense for providing tuition assistance relating to compulsory school attendance, and any expense which consists of a payment to an affiliate of the organization.

(v) *REPORTING REQUIREMENT.*—The information required to be furnished under this clause is—

(i) the percentages determined by dividing the following categories of the organization’s expenses for the year by its total expenses for the year: program services, management expenses, general expenses, fundraising expenses, and payments to affiliates; and

(ii) the category or categories (including food, shelter, education, substance abuse, job training, or otherwise) of services which constitute its predominant activities.

(vi) *ADDITIONAL REQUIREMENTS FOR COLLECTION ORGANIZATIONS.*—The requirements of this clause are met if the organization—

(I) maintains separate accounting for revenues and expenses; and

(II) makes available to the public its administrative and fundraising costs and information as to the organizations receiving funds from it and the amount of such funds.

(vii) *SPECIAL RULE FOR STATES REQUIRING TAX UNIFORMITY.*—In the case of a State—

(I) which has a constitutional requirement of tax uniformity; and

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

(aa) a single flat rate applicable to all earned and unearned income (except insofar as any amount is not taxed pursuant to tax forgiveness provisions); and

(bb) no generally available exemptions or deductions to individuals;

the requirement of paragraph (2) shall be treated as met if the amount of the credit is limited to a uniform percentage (but not greater than 25 percent) of State personal income tax liability (determined without regard to credits).

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 part 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 part.

(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 part, 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 families and individuals receiving assistance under title IV of the Social Security Act, 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 (particularly for families and individuals who are attempting to transition off a State program carried out under title IV of the Social Security Act);

(B) to secure and retain meaningful employment;

(C) to attain an adequate education with particular attention toward improving literacy skills of the low-income families in the community, which may include family literacy initiatives;

(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, including activities that strengthen and improve the relationship with local law enforcement agencies, which may include activities such as neighborhood or community policing efforts;

(H) to address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to prevention of youth problems and crime, promote increased community coordination and collaboration in meeting the needs of youth, and support development and expansion of innovative community-based youth development programs, which may include after-school child care programs; and

(I) to make more effective use of, and to coordinate with, other programs related to the purposes of this part (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 part, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of this part;

(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 part which may include fatherhood and other initiatives with the goal of strengthening families and encouraging parental responsibility;

(4) an assurance that local eligible entities in 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 and the local eligible entities in 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 and to avoid duplication of such services (including a description of how the State and the local eligible entities will coordinate with State and local workforce investment systems in the provision of employment and training services in the State and in local communities);

(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 part will not have its funding terminated under this part, 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 local eligible entities in 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 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 part 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 2001, participate in the Results Oriented Management and Accountability System, another performance measure system established pursuant to 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) **FUNDING TERMINATION OR REDUCTIONS.**—*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 part 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 part; 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 part 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 part.*

(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 part, 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—*

(A) *a private nonprofit eligible entity located in an area contiguous to or within reasonable proximity of the unserved area that is already providing related services in the unserved area; or*

(B) *a private nonprofit organization that is geographically located in the unserved area that is capable of providing a broad range of services designed to eliminate poverty and foster self-sufficiency and that meets the requirements of this part.*

(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 part and may give priority, in granting the designation, to local eligible entities that are already providing related 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) $\frac{1}{3}$ 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 $\frac{1}{3}$ of the membership of the board, membership on the board of appointive public officials or their representatives may be counted in meeting such $\frac{1}{3}$ requirement;

(B) not fewer than $\frac{1}{3}$ 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) each representative of low-income individuals and families selected to represent a specific neighborhood within a community under subparagraph (B) 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 $\frac{1}{3}$ 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 part; 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 part.

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 part 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 part,

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 part 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 of Indians 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 part 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 part 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, performance measurement, corrective action activities (to correct programmatic deficiencies of eligible entities), reporting, and data collection activities related to programs carried out under this part, and in accordance with subsection (c). Training and technical assistance activities may be carried out by the Secretary through grants, contracts, or cooperative agreements with eligible entities or with organizations or associations whose membership is composed of eligible entities or agencies that administer programs for eligible entities.

(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.

(c) *DISTRIBUTION REQUIREMENT.*—Of the amounts reserved under section 674(b)(2) for activities to be carried out under this section, not less than $\frac{1}{2}$ of such amounts shall be distributed directly to local eligible entities or to statewide organizations whose membership is composed of eligible entities for the purpose of improving program quality (including financial management practices), management information and reporting systems, measurement of program results, and for the purpose of ensuring responsiveness to local neighborhood needs.

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.

(c) *EVALUATIONS BY THE SECRETARY.*—The Secretary shall conduct in several States in each fiscal year evaluations and investigations of the use of funds received by the States under this part in order to evaluate compliance with the provisions of this part, and especially with respect to compliance with subsection (b) of section 676. A report of such evaluations, together with recommendations of improvements designed to enhance the benefit and impact to people in need, shall be sent to each State evaluated. Upon receiving the report the State shall submit a plan of action in response to the recommendations contained in the report. The results of the evaluations shall be submitted annually to the Chairman of the Committee on Education and the Workforce of the House of Representatives and the Chairman of the Committee on Labor and Human Resources of the Senate as part of the report submitted by the Secretary in accordance with section 678E(b)(2).

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 part 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 part 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 120 days after the determination to terminate the designation or reduce the funding. If the review is not completed within 120 days, the determination of the State shall become final at the end of the 120th day.

(c) *DIRECT ASSISTANCE.*—Whenever a State violates the assurances contained in section 676(b)(8) and terminates or reduces the funding of an eligible entity prior to the completion of the State's hearing and the Secretary's review as required in subsection (b), the Secretary shall assume responsibility for providing financial assistance to the eligible entity affected until the violation is corrected. In such case, the allotment for the State shall be reduced by an amount equal to the funds provided under this subsection to such eligible entity.

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

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

(1) *IN GENERAL.*—A State that receives funds under this part shall—

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

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

(C) *prepare, at least every year in accordance with paragraph (2) an audit of the expenditures of the State of amounts received under this part and amounts transferred to carry out the purposes of this part; 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 part 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 part or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under this part.

(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 part, 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 part, 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 part by such State in order to ensure compliance with the provisions of this part.*

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 part 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 part 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 indirect services or 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 part 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 facilitate the development of 1 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 part and in achieving the goals of their 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 indirect services or 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 part, the number of low-income persons served under this part, 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 part, if the Secretary informs the States of the need for such additional information and allows a reasonable period of time prior to the start of the fiscal year 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 part.

(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 part (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 part, 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 part.

(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 part and receives assistance under this part 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 part shall be deemed to be a State or local agency.

(2) *PROHIBITIONS.*—Programs assisted under this part 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, 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 part. 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 part 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 part, 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 part shall discriminate against an organization that provides assistance under, or applies to provide assistance under, this part, 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 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 (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 organizations 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 fam-

ilies 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 special problems identified by communities or neighborhoods or otherwise assist in furthering the purposes of this part, 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.

COMMUNITY FOOD AND NUTRITION

SEC. [681A] 681. (a) The Secretary may through grants to public and private nonprofit agencies, provide for community-based, local, statewide, and national programs—

(1) * * *

* * * * *

(c) For each fiscal year, the Secretary shall prepare and submit, to the Committee on Education and [Labor] *the Workforce* of the House of Representatives and the Committee on Labor and Human Resources of the Senate, a report concerning the grants awarded under this section. Such report shall include—

(1) * * *

* * * * *

(d) There are authorized to be appropriated [\$25,000,000 for fiscal year 1995, and such sums as may be necessary for each of fiscal years 1996 through 1998] \$5,000,000 for fiscal year 1999, and such sums as may be necessary for fiscal years 2000 through 2003, to carry out this section.

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

(a) * * *

* * * * *

(c) **ELIGIBLE PROVIDERS.**—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 subsection if—

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

(2) the applicant shall contribute amounts in cash or fairly evaluated in kind of no less than 25 percent of the amount requested;

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

(A) *ensure that—*

(i) *a community-based advisory committee, composed of representatives of local youth, family, and social service organizations, schools, entities that provide park and recreation services, entities that provide training services, and community-based organizations that serve high-risk youth, is established; or*

(ii) *an existing community-based advisory board, commission, or committee with similar membership is used; and*

(B) *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 part;*

[(3)] (4) the applicant shall use no funds from a grant authorized under this section for administrative expenses; and

[(4)] (5) the applicant agrees to comply with the regulations or program guidelines promulgated by the Secretary of Health and Human Services for use of funds made available by this grant.

* * * * *

(f) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated \$15,000,000 [for each fiscal year 1995, 1996, 1997, and 1998] *for fiscal year 1999, and such sums as may be necessary for fiscal years 2000 through 2003* for grants to carry out this section.

[ANNUAL REPORT

[SEC. 683. (a)(1) For each fiscal year beginning after September 30, 1991, the Secretary shall, by awarding a grant or contract to an entity that is knowledgeable about programs and projects assisted under section 674, prepare a report containing the following information:

[(A)] The uses of the Community Services Block Grant to the States that are related to the purposes of the subtitle.

[(B) The number of entities eligible for funds under this subtitle, the number of low-income persons served under this subtitle, and that amount of information concerning the demographics of the low-income populations served by such eligible entities as is determined to be feasible.

[(C) Any information in addition to that described in subparagraph (B) that the Secretary considers to be appropriate to carry out this subtitle, except that the Secretary may not require a State to provide such additional information until the expiration of the 1-year period beginning on the date on which the Secretary notifies such State that such additional information will be required to be provided.

[(2) In selecting an entity to prepare a report under this subsection, the Secretary shall give a preference to any nonprofit entity that has demonstrated the ability to secure the voluntary cooperation of grantees under this subtitle in designing and implementing national Community Services Block Grant information systems.

[(b) The Secretary shall transmit to the Committee on Education and Labor of the House of Representatives and the Committee on Labor and Human Resources of the Senate—

[(1) such report in the form in which it was received by the Secretary; and

[(2) any comments the Secretary may have with respect to such report.

[(c) Of the funds made available under section 681(d), not more than \$250,000 shall be available to carry out this section.

[REPEALER; REAUTHORIZATION PROVISIONS; TECHNICAL AND
CONFORMING PROVISIONS]

[SEC. 684. (a) Effective October 1, 1981, the Economic Opportunity Act of 1964, other than titles VIII and X of such Act, is repealed.

[(b) There is authorized to be appropriated such sums as may be necessary for each of the fiscal years 1982, 1983, and 1984, to carry out title VIII of the Economic Opportunity Act of 1964.

[(c)(1) 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(2) of this Act.

[(2) 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 private nonprofit community organizations eligible to receive funds under this subtitle.

[(3) No action or other proceeding commenced by or against any officer in the official capacity of such individual as an officer of any agency administering the Act repealed by subsection (a) of this section shall abate by reason of the enactment of this Act.]

SEC. 683. DRUG TESTING AND PATERNITY DETERMINATIONS.

(a) *DRUG TESTING PERMITTED.*—(1) *Nothing in this part shall be construed to prohibit a State from testing participants in programs, activities, or services carried out under this part for controlled sub-*

stances or from imposing sanctions on such participants who test positive for any of such substances.

(2) Any funds provided under this part expended for such testing shall be considered to be expended for administrative expenses and shall be subject to the limitation specified in section 675(b)(2).

(b) *PATERNITY DETERMINATIONS.*—During each fiscal year for which an eligible entity receives a grant under section 675C, such entity shall—

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

(2) refer eligible parents to the child support offices of State and local governments; and

(3) establish referral arrangements with such offices.

SEC. 684. 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 of this part. 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.

PART B—ASSETS FOR INDEPENDENCE

SEC. 685. SHORT TITLE.

This part may be cited as the “Assets for Independence Act”.

SEC. 686. 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 $\frac{1}{2}$ 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 com-

plemented 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. 687. PURPOSES.

The purposes of this part 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 micro-enterprise 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. 688. DEFINITIONS.

In this part:

- (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 693.
- (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 ex-

penses 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 694.

(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 694 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 part, 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 part, 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 5 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 689 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 part.

(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 part.

(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 part.

(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 (or in a State insured financial institution if no federally insured financial institution is available) 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 Native Hawaiian organization, as defined in section 9212 of the Native Hawaiian Education Act (20 U.S.C. 7912).

SEC. 689. APPLICATIONS.

(a) **ANNOUNCEMENT OF DEMONSTRATION PROJECTS.**—Not later than 3 months after the date of enactment of this part, the Secretary shall publicly announce the availability of funding under this part 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 part, a qualified entity may submit to the Secretary an application to conduct a demonstration project under this part.

(c) **CRITERIA.**—In considering whether to approve an application to conduct a demonstration project under this part, 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 combination 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 part as the Secretary may specify.

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

(1) demonstrates the willingness and ability to select individuals described in section 692 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 part, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration projects under this part 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 conduct any responsibility of the Secretary under this section or section 696 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. 690. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.

(a) DEMONSTRATION AUTHORITY.—If the Secretary approves an application to conduct a demonstration project under this part, the Secretary shall, not later than 10 months after the date of enactment of this part, authorize the applicant to conduct the project for 5 project years in accordance with the approved application and the requirements of this part.

(b) GRANT AUTHORITY.—For each project year of a demonstration project conducted under this part, 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. 691. RESERVE FUND.

(a) ESTABLISHMENT.—A qualified entity under this part, 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 694 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 698 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 provisions 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 698(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 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 698(b); divided by

(B) the aggregate amount of all funds provided to the qualified entity by all sources to conduct the project.

SEC. 692. 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 part:

(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 part, to ensure compliance with this part 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. 693. SELECTION OF INDIVIDUALS TO PARTICIPATE.

From among the individuals eligible to participate in a demonstration project conducted under this part, 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 694.

SEC. 694. DEPOSITS BY QUALIFIED ENTITIES.

(a) *IN GENERAL.*—Not less than once every 3 months during each project year, each qualified entity under this Act 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 689(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 690(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 690(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 690(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 694 to the Reserve Fund of the qualified entity, and use the funds to benefit other individuals participating in the demonstration project involved.

SEC. 695. LOCAL CONTROL OVER DEMONSTRATION PROJECTS.

A qualified entity under this part, other than a State or local government agency or a tribal government, shall, subject to the provisions of section 697, 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 part as are necessary to ensure compliance with the approved applications and the requirements of this part.

SEC. 696. ANNUAL PROGRESS REPORTS.

(a) **IN GENERAL.**—Each qualified entity under this part 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 and characteristics 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. 697. SANCTIONS.

(a) *AUTHORITY TO TERMINATE DEMONSTRATION PROJECT.—If the Secretary determines that a qualified entity under this part is not operating the demonstration project in accordance with the entity's application or the requirements of this part (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 691;*

(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 part;*

(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 part;*

- (B) transfer to the entity (or entities) control over the Reserve Fund established pursuant to section 691; and
- (C) consider, for purposes of this part—
 - (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 689(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 689(c)(4) bears to the amount provided by all such sources under that section.

SEC. 698. EVALUATIONS.

(a) *IN GENERAL.*—Not later than 10 months after the date of enactment of this part, 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 part.

(b) *FACTORS TO EVALUATE.*—In evaluating any demonstration project conducted under this part, 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 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 part 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 part, 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 part, and every 12 months thereafter until all demonstration projects conducted under this part are completed, the Secretary shall submit to Congress an interim report setting forth the results of the reports submitted pursuant to section 696(b).

(2) **FINAL REPORTS.**—Not later than 12 months after the conclusion of all demonstration projects conducted under this part, the Secretary shall submit to Congress a final report setting forth the results and findings of all reports and evaluations conducted pursuant to this part.

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

SEC. 699. 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 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. 699A. AUTHORIZATION OF APPROPRIATIONS.

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

LOW-INCOME HOME ENERGY ASSISTANCE ACT OF 1981

TITLE XXVI—LOW-INCOME HOME ENERGY ASSISTANCE

SHORT TITLE

SEC. 2601. This title may be cited as the “Low-Income Home Energy Assistance Act of 1981”.

HOME ENERGY GRANTS AUTHORIZED

SEC. 2602. (a) * * *

(b) There are authorized to be appropriated to carry out the provisions of this title (other than section 2607A), \$2,000,000,000 for each of fiscal years 1995 through 1999, \$1,100,000,000 for fiscal year 2000, and such sums as may be necessary for fiscal year 2001. The authorizations of appropriations contained in this subsection are subject to the program year provisions of subsection (c).

[(c)(1) In fiscal year 1993 and each fiscal year thereafter, amounts appropriated under this section for any fiscal year for programs and activities under this title shall be made available for obligation only on the basis of a program year. The program year shall begin on July 1 of the fiscal year for which the appropriation is made.

[(2) Amounts appropriated for fiscal year 1993 shall be available both to fund activities for the period between October 1, 1992, and July 1, 1993, and for the program year beginning July 1, 1993.

[(3) There are authorized to be appropriated such additional sums as may be necessary for the transition to carry out this subsection.]

(c) 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.

(d) There are authorized to be appropriated to carry out section 2607A, \$50,000,000 [for each of the fiscal years 1996 and 1997, and such sums as may be necessary for each of the fiscal years 1998 and 1999.] *for each of the fiscal years 1999, 2000, and 2001.*

(e) There are authorized to be appropriated in each fiscal year for payments under this title, in addition to amounts appropriated for distribution to all the States in accordance with section 2604 (other than [subsection (g)] *subsection (e) of such section*), \$600,000,000 to meet the additional home energy assistance needs of one or more States arising from a natural disaster or other emergency. Funds appropriated pursuant to this subsection are hereby designated to be emergency requirements pursuant to section 251(b)(2)(D) of the Balanced Budget and Emergency Deficit Control Act of 1985, except that such funds shall be made available only after the submission to Congress of a formal budget request by the President (for all or a part of the appropriation pursuant to this subsection) that includes a designation of the amount requested as an emergency requirement as defined in such Act.

DEFINITIONS

SEC. 2603. As used in this title:

(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.

[(1)] (2) The term “energy burden” means the expenditures of the household for home energy divided by the income of the household.

[(2)] (3) The term “energy crisis” means weather-related and supply shortage emergencies and other household energy-related emergencies.

[(3)] (4) The term “highest home energy needs” means the home energy requirements of a household determined by taking into account both the energy burden of such household and the unique situation of such household that results from having members of vulnerable populations, including very young children, individuals with disabilities, and frail older individuals.

[(4) the] (5) The term “household” means any individual or group of individuals who are living together as one economic unit for whom residential energy is customarily purchased in common or who make undesignated payments for energy in the form of rent[;].

[(5)] (6) The term “home energy” means a source of heating or cooling in residential dwellings.

(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.

[(6)] (8) The term “poverty level” means, with respect to a household in any State, the income poverty line as prescribed and revised at least annually pursuant to section 673(2) of the Community Services Block Grant Act, as applicable to such State.

[(7)] (9) The term “Secretary” means the Secretary of Health and Human Services.

[(8)] (10) The term “State” means each of the several States and the District of Columbia.

[(9)] (11) The term “State median income” means the State median income promulgated by the Secretary in accordance with procedures established under section 2002(a)(6) of the Social Security Act (as such procedures were in effect on the day before the date of the enactment of this Act) and adjusted, in accordance with regulations prescribed by the Secretary, to take into account the number of individuals in the household.

STATE ALLOTMENTS

SEC. 2604. (a) * * *

(b)(1) The Secretary shall apportion not less than one-tenth of 1 percent, and not more than one-half of 1 percent, of the amounts appropriated for each fiscal year to carry out this title on the basis of need among the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands of the United States, [the Northern

Mariana Islands, and the Trust Territory of the Pacific Islands.] *and the Commonwealth of the Northern Mariana Islands.* The Secretary shall determine the total amount to be apportioned under this paragraph for any fiscal year (which shall not exceed one-half of 1 percent) after evaluating the extent to which each jurisdiction specified in the preceding sentence requires assistance under this paragraph for the fiscal year involved.

(2) Each jurisdiction to which paragraph (1) applies may receive grants under this title upon an application submitted to the Secretary containing provisions which describe the programs for which assistance is sought under this title, and which are consistent with the requirements of section 2605.

(c) Of the funds available to each State under subsection (a), a reasonable amount based on data from prior years shall be reserved until March 15 of each program year by each State for energy crisis intervention. The program for which funds are reserved by this subsection shall be administered by public or nonprofit entities which have experience in administering energy crisis programs under the Low-Income Energy Assistance Act of 1980, or under this Act, experience in assisting low-income individuals in the area to be served, the capacity to undertake a timely and effective energy crisis intervention program, and the ability to carry out the program in local communities. The program for which funds are reserved under this subsection shall—

(1) * * *

* * * * *

(3) require each entity that administers such program—

(A) to accept applications for energy crisis benefits at sites that are geographically accessible to all households in the area to be served by such entity; and

(B) to provide to low-income individuals who are physically infirm the means—

(i) to submit applications for energy crisis benefits without leaving their residences; or

(ii) to travel to the sites at which such [application] applications are accepted by such entity.

The preceding sentence shall not apply to a program in a geographical area affected by a natural disaster in the United States designated by the Secretary, or by a major disaster or emergency designated by the President under the Disaster Relief Act of 1974, for so long as such designation remains in effect, if the Secretary determines that such disaster or such emergency makes compliance with such sentence impracticable.

* * * * *

[(f)(1) A State may transfer in accordance with paragraph (2) a percentage of the funds payable to it under this section for any fiscal year for its use for such fiscal year under other provisions of Federal law providing block grants for—

[(A) support of activities under subtitle B of title VI (relating to community services block grant program);

[(B) support of activities under title XX of the Social Security Act; or

[(C) support of preventive health services, alcohol, drug, and mental health services, and primary care under title XIX of the Public Health Service Act, and maternal and child health services under title V of the Social Security Act; or a combination of the activities described in subparagraphs (A), (B), and (C). Amounts allotted to a State under any provisions of Federal law referred to in the preceding sentence and transferred by a State for use in carrying out the purposes of this title shall be treated as if they were paid to the State under this title but shall not affect the computation of the State's allotment under this title. The State shall inform the Secretary of any such transfer of funds.

[(2)(A) Not to exceed 10 percent of the funds payable to a State under this section for each of the fiscal years 1991 through 1993 may be transferred under paragraph (1).

[(B) Beginning in fiscal year 1994, no funds payable to a State under this section shall be transferred under paragraph (1).]

[(g)] (e) Notwithstanding subsections (a) through [(f)] (d), the Secretary may allot amounts appropriated pursuant to section 2602(e) to one or more than one State. [In determining to which State or States additional funds may be allotted, the Secretary shall take into account the extent to which a State was affected by the emergency or disaster, the availability to an affected State of other resources under this or any other program, and such other factors as the Secretary determines relevant. The Secretary shall notify Congress of the allotment pursuant to this subsection prior to releasing the allotted funds.] *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.*

APPLICATIONS AND REQUIREMENTS

SEC. 2605. (a) * * *

(b) As part of the annual application required by subsection (a), the chief executive officer of each State shall certify that the State agrees to—

(1) * * *

* * * * *

(9) provide that—

(A) the State may use for planning and administering the use of funds under this title an amount not to exceed 10 percent of the funds payable to such State under this title for a fiscal year [and not transferred pursuant to section 2604(f) for use under another block grant]; and

* * * * *

(14) cooperate with the Secretary with respect to data collecting and reporting under section 2610; **and** **【The Secretary may not prescribe the manner in which the States will comply with the provisions of this subsection.】**

(15) beginning in fiscal year 1992, provide, in addition to such services as may be offered by State Departments of Public Welfare at the local level, outreach and intake functions for crisis situations and heating and cooling assistance that is administered by additional State and local governmental entities or community-based organizations (such as community action agencies, area agencies on aging, and not-for-profit neighborhood-based organizations), and in States where such organizations do not administer intake functions as of September 30, 1991, preference in awarding grants or contracts for intake services shall be provided to those agencies that administer the low-income weatherization or energy crisis intervention programs; and

(16) use up to 5 percent of such funds, at its option, to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors, and report to the Secretary concerning the impact of such activities on the number of households served, the level of direct benefits provided to those households, and the number of households that remain unserved.

The Secretary may not prescribe the manner in which the States will comply with the provisions of this subsection. The Secretary shall issue regulations to prevent waste, fraud, and abuse in the programs assisted by this title. Not later than 18 months after the date of the enactment of the Low-Income Home Energy Assistance Amendments of 1994, the Secretary shall develop model performance goals and measurements in consultation with State, territorial, tribal, and local grantees, that the States may use to assess the success of the States in achieving the purposes of this title. The model performance goals and measurements shall be made available to States to be incorporated, at the option of the States, into the plans for fiscal year 1997. The Secretary may request data relevant to the development of model performance goals and measurements.

(c)(1) As part of the annual application required in subsection (a), the chief executive officer of each State shall prepare and furnish to the Secretary, in such format as the Secretary may require, a plan which—

(A) describes the eligibility requirements to be used by the State for each type of assistance to be provided under this title, including criteria for designating an emergency under section 2604(c);

(B) describes the benefit levels to be used by the **【States】 State** for each type of assistance including assistance to be provided for emergency crisis intervention and for weatherization and other energy-related home repair;

* * * * *

(G) states, with respect to the 12-month period specified by the Secretary, the number and income levels of households

which apply and the number which are assisted with funds provided under this title, and the number of households so assisted with—

- (i) one or more members who **[has]** *had* attained 60 years of age;

* * * * *

(k)(1) Except as provided in paragraph (2), not more than 15 percent of the greater of—

(A) the funds allotted to a State under this title for any fiscal year; or

(B) the funds available to such State under this title for such fiscal year;

may be used by the State for low-cost residential weatherization or other energy-related home repair for low-income households, *particularly those low-income households with the lowest incomes that pay a high proportion of household income for home energy.*

(2)(A) If a State receives a waiver granted under subparagraph (B) for a fiscal year, the State may use not more than the greater of 25 percent of—

(i) the funds allotted to a State under this title for such fiscal year; or

(ii) the funds available to such State under this title for such fiscal year;

for residential weatherization or other energy-related home repair for low-income households, *particularly those low-income households with the lowest incomes that pay a high proportion of household income for home energy.*

* * * * *

PAYMENTS TO STATES

SEC. 2607. (a) * * *

(b)(1) * * *

(2)(A) * * *

(B) No amount may be held available under this paragraph for a State from a prior fiscal year to the extent such amount exceeds 10 percent of the amount payable to such State for such prior fiscal year **[and not transferred pursuant to section 2604(f)]**. For purposes of the preceding sentence, the amount payable to a State **[but not transferred by the State]** for a fiscal year shall be determined without regard to any amount held available under this paragraph for such State for such fiscal year from the prior fiscal year.

* * * * *

SEC. 2607B. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE OPTION (R.E.A.CH).

(a) * * *

(b) FUNDING.—

(1) ALLOCATION.—**[For each of the fiscal years 1996 through 1999]** *For each fiscal year*, the Secretary may allocate not more than 25 percent of the amount made available pursuant to section 2602(d) for such fiscal year to a R.E.A.Ch. fund for the purpose of making incentive grants to States that submit

qualifying plans that are approved by the Secretary as R.E.A.Ch. initiatives. States may use such grants for the costs of planning, implementing, and evaluating the initiative.

* * * * *

(e) STATE PLANS.—

(1) IN GENERAL.—Each State plan shall include each of the elements described in paragraph (2), to be met by State and local agencies.

(2) ELEMENTS OF STATE PLANS.—Each State plan shall include—

(A) * * *

* * * * *

[(F)] (E) a method for targeting nonmonetary benefits;
 [(G)] (F) a description of the crisis and emergency assistance activities the State will undertake that are designed to—

(i) * * *

* * * * *

[(H)] (G) a description of the activities the State will undertake to—

(i) * * *

* * * * *

[(I)] (H) an assurance that the State will require each entity that receives a grant or enters into a contract under this section to solicit and be responsive to the views of individuals who are financially eligible for benefits and services under this section in establishing its local program;

[(J)] (I) a description of performance goals for the State R.E.A.Ch. initiative including—

(i) a reduction in the energy costs [on] of participating households over one or more fiscal years;

* * * * *

[(K)] (J) a description of the indicators that will be used by the State to measure whether the performance goals have been achieved;

[(L)] (K) a demonstration that the plan is consistent with section 2603, paragraphs (2), (3), (4), (5), (7), (9), (10), (11), (12), (13), and (14) of section 2605(b), subsections (d), (e), (f), (g), (h), (i), and (j) of section 2605, and section 2606 of this title;

[(M)] (L) an assurance that benefits and services will be provided in addition to other benefit payments and services provided under this title and in coordination with such benefit payments and services; and

[(N)] (M) an assurance that no regulated utility covered by the plan will be required to act in a manner that is inconsistent with applicable regulatory requirements.

[(g)] (f) COST OR FUNCTION.—None of the costs of providing services or benefits under this section shall be considered to be an ad-

ministrative cost or function for purposes of any limitation on administrative costs or functions contained in this title.

* * * * *

ADDITIONAL VIEWS

While having voiced our overall support for this legislation, we are disappointed that the substitute amendment which was added at full committee markup only reauthorized the Low-Income Home Energy Assistance Program (LIHEAP) for 2 years, rather than 5 years as with other Human Services programs. LIHEAP funding is essential to ensuring that our elderly, our sick, and our poor have access to appropriate cooling and heating services. Without LIHEAP hundreds of thousands of vulnerable people would be thrown into financial ruin in their attempts to pay for their cooling and heating needs. In the worst cases, the absence of a strong LIHEAP program could leave many vulnerable to utility shut-offs due to lack of financial resources.

Traditionally, Head Start, LIHEAP and the Community Services Block Grant (CSBG) have moved together as one reauthorization package, often referred to as the Human Services Amendments. This legislation and another Committee approved bill reauthorizes both the Head Start and CSBG programs for 5 years. Singling out LIHEAP with a short reauthorization period, does little to assure us that this extremely valuable program is continued. We strongly believe that LIHEAP should continue to be reauthorized on the same period as both Head Start and CSBG. At the full committee markup on this bill, Chairman Goodling indicated his preference for a 5 year reauthorization of this program and we intend to support this position through our deliberations in conference.

WILLIAM L. CLAY.
DALE E. KILDEE.
MAJOR R. OWENS.
PATSY T. MINK.
TIM ROEMER.
LYNN WOOLSEY.
CHAKA FATTAH.
CAROLYN MCCARTHY.
RON KIND.
HAROLD E. FORD, Jr.
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DONALD M. PAYNE.
ROBERT E. ANDREWS.
BOBBY SCOTT.
CARLOS ROMERO-BARCELÓ.
RUBÉN HINOJOSA.
JOHN F. TIERNEY.
LORETTA SANCHEZ.
DENNIS J. KUCINICH.

ADDITIONAL VIEWS

While I support H.R. 4271, I would like to make the legislative record clear with respect to Section 679 of the bill, specifically paragraph (b), as it relates to the removal of religious icons. The intent of the Committee is to establish that faith-based organizations, providing services under the Community Service Block Grant (CSBG), must operate within the context of the Establishment Clause of the First Amendment. This requirement is explicitly stated in paragraph (a) of this section. Furthermore, paragraph (b) must be read within that limitation also.

While paragraph (b) of the section states: “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),” this must be read pursuant to the limitation set forth in paragraph (a). Further, current law permits “religiously affiliated” organizations, such as Catholic Charities, to provide services with government funds, so long as the program is not “pervasively sectarian”.

In various cases, the Supreme Court listed several criteria to be used to determine if an institution is “pervasively sectarian”: (1) location near a house of worship; (2) an abundance of religious symbols on the premises; (3) religious discrimination in the institution’s hiring practices; (4) the presence of religious activities; and (5) the purposeful articulation of a religious mission.

While Section 679 of this bill is meant to clarify and to affirm that appropriate faith-based organizations may participate in CSBG activities, as they do now, this section may cause confusion regarding how faith-based organizations may operate with CSBG funds. Specifically, paragraph (b) seems to suggest that faith-based organizations that receive funds under this program may operate without regard to providing a religiously neutral atmosphere. Their constitutional requirement to provide services in a non “pervasively sectarian” environment is not lessened by paragraph (b). It is unfortunate that this paragraph may lead some faith-based organizations, reading the plain language of the bill, to operate in a manner that violates the constitution and subject them to unwanted lawsuits. Let the record be clear that it will remain appropriate for faith-based organizations to remove “religious art, icons, scripture or other symbols” in order to avoid constitutional challenge when such displays are inconsistent with Establishment Clause jurisprudence.

Paragraph (b) is not serious attempt at setting public policy for faith-based organizations’ participation in CSBG, but mere political window dressing for those who have continually sought in this Congress to intrude upon the religious liberties and protections af-

forded by the First Amendment of our Constitution. This politically expedient form shall have no substance.

BOBBY SCOTT.

