105TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPORT
105–788

COATS HUMAN SERVICES REAUTHORIZATION ACT OF 1998

OCTOBER 6, 1998.—Ordered to be printed

Mr. GOODLING, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 2206]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2206), to amend the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, and the Community Services Block Grant Act to reauthorize and make improvements to those Acts, to establish demonstration projects that provide an opportunity for persons with limited means to accumulate assets, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment, insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Community Opportunities, Accountability, and Training and Educational Services Act of 1998" or the "Coats Human Services Reauthorization Act of 1998".

SEC. 2. TABLE OF CONTENTS.

The table of contents for this Act is as follows:

69–006

TITLE I—HEAD START PROGRAMS

SEC. 101. SHORT TITLE.

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

SEC. 102. STATEMENT OF PURPOSE.

Section 636 of the Head Start Act (42 U.S.C. 9831) is amended to read as follows:

"SEC. 636. STATEMENT OF PURPOSE.

"It is the purpose of this subchapter to promote school readiness by enhancing the social and cognitive development of low-income children through the provision, to low-income children and their families, of health, educational, nutritional, social, and other services that are determined, based on family needs assessments, to be necessary.".

SEC. 103. DEFINITIONS.

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

(1) by redesignating paragraphs (1) and (2) as paragraphs (16) and (17) and inserting the paragraphs at the end of the section;

(2) by inserting before paragraph (3) the following:

"(1) The term 'child with a disability' means—

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

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

"(2) The term 'delegate agency' means a public, private nonprofit, or for-profit organization or agency to which a grantee has delegated all or part of the responsibility of the grantee for operating a Head Start program.";

(3) by striking paragraph (4);

(4) by redesignating paragraph (3) as paragraph (4);

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

"(3) The term 'family literacy services' means services that are of sufficient intensity in terms of hours, and of sufficient duration, to make sustainable changes in a family, and that integrate all of the following activities:

"(A) Interactive literacy activities between parents and their children.

"(B) Training for parents regarding how to be the primary teacher for their children and full partners in the education of their children.

"(C) Parent literacy training that leads to economic self-sufficiency.

"(D) An age-appropriate education to prepare children for success in school and life experiences.";

(6) in paragraph (6), by adding at the end the following: "Nothing in this paragraph shall be construed to require an agency to provide services to a child who has not reached the age of compulsory school attendance for more than the number of hours per day permitted by State law (including regulation) for the provision of services to such a child.";

(7) by striking paragraph (12) and inserting the following:

"(12) The term 'migrant and seasonal Head Start program' means—

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

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

(8) by inserting after paragraph (14) the following:

"(15) The term 'scientifically based reading research'—

"(A) means the application of rigorous, systematic, and objective procedures to obtain valid knowledge relevant to reading development, reading instruction, and reading difficulties; and

"(B) shall include research that—

"(i) employs systematic, empirical methods that draw on observation or experiment;

"(ii) involves rigorous data analyses that are adequate to test the stated hypotheses and justify the general conclusions drawn;

"(iii) relies on measurements or observational methods that provide valid data across evaluators and observers and across multiple measurements and observations; and

"(iv) has been accepted by a peer-reviewed journal or approved by a panel of independent experts through a comparably rigorous, objective, and scientific review."; and

(9) in paragraph (17) (as redesignated in paragraph (1))—

(A) by striking "Term" and inserting "term";

(B) by striking "Virgin Islands," and inserting "Virgin Islands of the United States, and the Commonwealth of the Northern Mariana Islands, but for fiscal years ending before October 1, 2001 (and fiscal year 2002, if the legislation described in section 640(a)(2)(B)(iii) has not been enacted before September 30, 2001), also means"; and

(C) by striking "Palau, and the Commonwealth of the Northern Mariana Islands." and inserting "and the Republic of Palau.".

SEC. 104. FINANCIAL ASSISTANCE FOR HEAD START PROGRAMS.

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

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

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

SEC. 105. AUTHORIZATION OF APPROPRIATIONS.

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

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

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

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

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

"(3) not more than $12,000,000 for fiscal year 1999, and such sums as may be necessary for each of fiscal years 2000 through 2003, to carry out other research, demonstration, and

evaluation activities, including longitudinal studies, under section 649.".

SEC. 106. ALLOTMENT OF FUNDS.

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

(1) in paragraph (2)—

(A) in subparagraph (A)—

(i) by striking "and migrant" the first place it appears and all that follows through "handicapped children", and inserting "Head Start programs, services for children with disabilities, and migrant and seasonal Head Start programs";

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

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

(B) in subparagraph (B), by striking "(B) payments" and all that follows through "Virgin Islands according" and inserting the following:

"(B) payments, subject to paragraph (7)—

"(i) to Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, and the Virgin Islands of the United States;

"(ii) for fiscal years ending before October 1, 2001, to the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau; and

"(iii) if legislation approving renegotiated Compacts of Free Association for the jurisdictions described in clause (ii) has not been enacted before September 30, 2001, for fiscal year 2002 to those jurisdictions;

according";

(C) in subparagraph (C), by striking "; and" and inserting ", of which not less than $3,000,000 of the amount appropriated for such fiscal year shall be made available to carry out activities described in section 648(c)(4);";

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

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

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

(F) by adding at the end the following: "No Freely Associated State may receive financial assistance under this subchapter after fiscal year 2002.";

(2) in paragraph (3)—

(A) in subparagraph (A)(i), by striking "equal" and all that follows through "amount;" and inserting "equal to the sum of—

"(I) 60 percent of such excess amount for fiscal year 1999, 50 percent of such excess amount for fiscal year 2000, 47.5 per-

cent of such excess amount for fiscal year 2001, 35 percent of such excess amount for fiscal year 2002, and 25 percent of such excess amount for fiscal year 2003;";

(B) in subparagraph (B)—

(i) in clause (ii)—

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

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

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

(iii) in clause (v), by inserting "and collaboration efforts for such programs" before the period;

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

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

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

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

(C) in subparagraph (C)—

(i) in clause (i)—

(I) in subclause (I)—

(aa) by striking "this subparagraph" and inserting "this paragraph";

(bb) by striking "of staff" and inserting "of classroom teachers and other staff";

(cc) by striking "such staff" and inserting "qualified staff, including recruitment and retention pursuant to achieving the requirements set forth in section 648A(a)"; and

(dd) by adding at the end the following: "Preferences in awarding salary increases, in excess of cost-of-living allowances, with such funds shall be granted to classroom teachers and staff who obtain additional training or education related to their responsibilities as employees of a Head Start program.";

(II) in subclause (II), by striking "the subparagraph" and inserting "this subparagraph"; and

(III) by adding at the end the following:

"(III) From the remainder of the amount reserved under this paragraph (after the Secretary carries out subclause (I)), the Secretary shall carry out any or all of the activities de-

scribed in clauses (ii) through (vii), placing the highest priority on the activities described in clause (ii).";

(ii) by amending clause (ii) to read as follows:

"(ii) To train classroom teachers and other staff to meet the education performance standards described in section 641A(a)(1)(B), through activities—

"(I) to promote children's language and literacy growth, through techniques identified through scientifically based reading research;

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

"(III) to foster children's school readiness skills through activities described in section 648A(a)(1); and

"(IV) to provide training necessary to improve the qualifications of the staff of the Head Start agencies and to support staff training, child counseling, and other services necessary to address the problems of children participating in Head Start programs, including children from dysfunctional families, children who experience chronic violence in their communities, and children who experience substance abuse in their families.";

(iii) by striking clause (v); and

(iv) by redesignating clauses (vi) and (vii) as clauses (v) and (vi), respectively; and

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

(3) in paragraph (4)—

(A) in subparagraph (A), by striking "1981" and inserting "1998";

(B) by amending subparagraph (B) to read as follows:

"(B) any amount available after all allotments are made under subparagraph (A) for such fiscal year shall be distributed proportionately on the basis of the number of children less than 5 years of age from families whose income is below the poverty line."; and

(C) by adding at the end the following:

"For purposes of this paragraph, for each fiscal year the Secretary shall use the most recent data available on the number of children less than 5 years of age from families whose income is below the poverty line, as published by the Department of Commerce, unless the Secretary and the Secretary of Commerce determine that use of the most recent data available would be inappropriate or unreliable. If the Secretary and the Secretary of Commerce determine that some or all of the data referred to in this paragraph are inappropriate or unreliable, the Secretaries shall issue a report setting forth their reasons in detail.";

(4) in paragraph (5)—

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

(B) in subparagraph (B), by inserting before the period the following: "and to encourage Head Start agencies to collaborate with entities involved in State and local planning processes (including the State lead agency administering

the financial assistance received under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) and the entities providing resource and referral services in the State) in order to better meet the needs of low-income children and families";

(C) in subparagraph (C)—

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

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

(iii) in clause (iv)—

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

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

(III) by striking the period and inserting "(including coordination of services with those State officials who are responsible for administering part C and section 619 of the Individuals with Disabilities Education Act (20 U.S.C. 1431–1445, 1419)), and services for homeless children;"; and

(iv) by adding at the end the following:

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

"(vi) encourage local Head Start agencies to appoint a State level representative to represent Head Start agencies within the State in conducting collaborative efforts described in subparagraphs (B) and (D), and in clause (v).";

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

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

"(D) Following the award of collaboration grants described in subparagraph (B), the Secretary shall provide, from the reserved sums, supplemental funding for collaboration grants—

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

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

"(E)(i) The Secretary shall—

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

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

"(III) develop a mechanism to resolve administrative and programmatic conflicts between programs described in subclause (I) that would be a barrier to service providers, parents, or children related to the provision of unified services and the consolidation of funding for child care services.

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

(5) in paragraph (6)—

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

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

(C) by adding at the end the following:

"(B)(i) If the Secretary does not submit an interim report on the preliminary findings of the Early Head Start impact study currently being conducted by the Secretary (as of the date of enactment of the Head Start Amendments of 1998) to the appropriate committees by June 1, 2001, the amount of the reserved portion for fiscal year 2002 that exceeds the reserved portion for fiscal year 2001, if any, shall be used for quality improvement activities described in section 640(a)(3) and shall not be used to serve an increased number of eligible children under section 645A.

"(ii) If the Secretary does not submit a final report on the Early Head Start impact study to the appropriate committees by June 1, 2002, or if the Secretary finds in the report that there are substantial deficiencies in the programs carried out under section 645A, the amount of the reserved portion for fiscal year 2003 that exceeds the reserved portion for fiscal year 2002, if any, shall be used for quality improvement activities described in section 640(a)(3) and shall not be used to serve an increased number of eligible children under section 645A.

"(iii) In this subparagraph:

"(I) The term 'appropriate committees' means the Committee on Education and the Workforce and the Committee on Appropriations of the House of Representatives and the Committee on Labor and Human Resources and the Committee on Appropriations of the Senate.

"(II) The term 'reserved portion', used with respect to a fiscal year, means the amount required to be used in accordance with subparagraph (A) for that fiscal year.

"(C)(i) For any fiscal year for which the Secretary determines that the amount appropriated under section 639(a) is not sufficient to permit the Secretary to reserve the portion described in subparagraph (A) without reducing the number of children served by Head Start programs or adversely affecting the quality of Head Start services, relative to the number of children served and the quality of the services during the preceding fiscal year, the Secretary may reduce the percentage of funds required to be reserved for the portion described in subparagraph (A) for the fiscal year for which the determination is made, but not below the percentage required to be so reserved for the preceding fiscal year.

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

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

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

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

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

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

(3) by adding at the end the following: "Such policies and procedures shall require Head Start agencies to coordinate programmatic efforts with efforts to implement part C and section 619 of the Individuals with Disabilities Education Act (20 U.S.C 1431–1445, 1419).".

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

(1) in paragraph (2)—

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

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

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

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

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

(F) by adding at the end the following:

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

"(H) the extent to which the applicant, in providing services, plans to coordinate with the local educational agency serving the community involved and with schools in which children participating in a Head Start program operated by such agency will enroll following such program, regarding such services and the education services provided by such local educational agency."; and

(2) by adding at the end the following:

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

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

(1) by striking"(l)" and inserting "(l)(1)";

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

(3) by striking "migrant families" and inserting "migrant and seasonal farmworker families"; and

(4) by adding at the end the following:

"(2) For purposes of subsection (a)(2)(A), in determining the need and demand for migrant and seasonal Head Start programs (and services provided through such programs), the Secretary shall consult with appropriate entities, including providers of services for migrant and seasonal Head Start programs. The Secretary shall, after taking into consideration the need and demand for migrant and seasonal Head Start programs (and such services), ensure that there is an adequate level of such services for eligible children of migrant farmworkers before approving an increase in the allocation of funds provided under such subsection for unserved eligible children of seasonal farmworkers. In serving the eligible children of seasonal farmworkers, the Secretary shall ensure that services provided by migrant and seasonal Head Start programs do not duplicate or overlap with other Head Start services available to eligible children of such farmworkers.

"(3) In carrying out this subchapter, the Secretary shall continue the administrative arrangement responsible for meeting the needs of children of migrant and seasonal farmworkers and Indian children and shall ensure that appropriate funding is provided to meet such needs.".

(e) CONFORMING AMENDMENT.—Section 644(f)(2) of the Head Start Act (42 U.S.C. 9839(f)(2)) is amended by striking "Except" and all that follows through "financial" and inserting "Financial".

SEC. 107. DESIGNATION OF HEAD START AGENCIES.

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

(1) in subsection (a)—

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

(B) by inserting "(in consultation with the chief executive officer of the State involved, if such State expends non-Federal funds to carry out Head Start programs)" after "Secretary" the last place it appears;

(2) in subsection (b), by striking "area designated by the Bureau of Indian Affairs as near-reservation" and inserting "off-reservation area designated by an appropriate tribal government in consultation with the Secretary";

(3) in subsection (c)—

(A) in paragraph (1)—

(i) by inserting ", in consultation with the chief executive officer of the State involved if such State expends non-Federal funds to carry out Head Start programs," after "shall";

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

(iii) by striking "makes a finding" and all that follows through the period at the end, and inserting the following: "determines that the agency involved fails to meet program and financial management requirements, performance standards described in section 641A(a)(1), results-based performance measures developed by the Secretary under section 641A(b), or other requirements established by the Secretary.";

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

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

(4) in subsection (d)—

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

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

(C) in paragraph (4)—

(i) in subparagraph (A), by inserting "(at home and in the center involved where practicable)" after "activities";

(ii) in subparagraph (D)—

(I) in clause (iii), by adding "or" at the end;

(II) by striking clause (iv); and

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

(iii) in subparagraph (E), by striking "and (D)" and inserting ", (D), and (E)";

(iv) by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F), respectively; and

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

"(D) to offer to parents of participating children substance abuse counseling (either directly or through referral to local entities), including information on drug-exposed infants and fetal alcohol syndrome;";

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

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

(E) in paragraph (8)—

(i) by striking the period at the end and inserting "; and"; and

(ii) by redesignating such paragraph as paragraph (9);

(F) by inserting after paragraph (7) the following:

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

(G) by adding at the end the following:

"(10) the plan of such applicant to collaborate with other entities carrying out early childhood education and child care programs in the community.";

(5) by striking subsection (e) and inserting the following:

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

(6) by adding at the end the following:

"(g) If the Secretary determines that a nonprofit agency and a for-profit agency have submitted applications for designation of equivalent quality under subsection (d), the Secretary may give priority to the nonprofit agency. In selecting from among qualified applicants for designation as a Head Start agency under subsection (d), the Secretary shall give priority to applicants that have demonstrated capacity in providing comprehensive early childhood services to children and their families.".

SEC. 108. QUALITY STANDARDS.

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

(1) in paragraph (1)—

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

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

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

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

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

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

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

"(II) understand and use language to communicate for various purposes;

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

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

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

(2) by striking paragraph (2);

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

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

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

(B) in subparagraph (C)—

(i) in clause (i)—

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

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

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

(5) in paragraph (3) (as redesignated in paragraph (3)), by striking "to an agency (referred to in this subchapter as the 'delegate agency')" and inserting "to a delegate agency".

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

(1) in the heading, by inserting "RESULTS-BASED" before "PERFORMANCE";

(2) in paragraph (1)—

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

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

(C) by inserting before "(referred" the following: ", and the impact of the services provided through the programs to children and their families"; and

(D) by striking "performance measures" and inserting "results-based performance measures"; and

(3) in paragraph (2)—

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

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

(C) in subparagraph (A), by striking "to assess" and inserting "be used to assess the impact of";

(D) in subparagraph (B)—

(i) by striking "to";

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

(iii) by inserting ", not later than July 1, 1999" before the semicolon;

(E) in subparagraph (C), by inserting "be developed" before "for other"; and

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

(4) in paragraph (3)(A), by striking "and by region" and inserting ", regionally, and locally"; and

(5) by adding at the end the following:

"(4) EDUCATIONAL PERFORMANCE MEASURES.—Such results-based performance measures shall include educational performance measures that ensure that children participating in Head Start programs—

"(A) know that letters of the alphabet are a special category of visual graphics that can be individually named;

"(B) recognize a word as a unit of print;

"(C) identify at least 10 letters of the alphabet; and

"(D) associate sounds with written words.

"(5) ADDITIONAL LOCAL RESULTS-BASED PERFORMANCE MEASURES.—In addition to other applicable results-based performance measures, Head Start agencies may establish local results-based educational performance measures.".

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

(1) in paragraph (1), by inserting "and results-based performance measures developed by the Secretary under subsection (b)" after "standards established under this subchapter"; and

(2) in paragraph (2)—

(A) in subparagraph (B), by striking "and" at the end;

(B) in subparagraph (C)—

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

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

(C) by adding at the end the following:

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

"(E) seek information from the communities and the States involved about the performance of the programs and the efforts of the Head Start agencies to collaborate with other entities carrying out early childhood education and child care programs in the community.".

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

(1) in paragraph (1)—

(A) by inserting "or results-based performance measures developed by the Secretary under subsection (b)" after "subsection (a)"; and

(B) by amending subparagraph (B) to read as follows:

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

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

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

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

(2) in paragraph (2)(A), in the matter preceding clause (i), by striking "able to correct a deficiency immediately" and inserting "required to correct a deficiency immediately or during a 90-day period under clause (i) or (ii) of paragraph (1)(B)".

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

SEC. 109. POWERS AND FUNCTIONS OF HEAD START AGENCIES.

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

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

(2) in subsection (b)—

(A) in paragraph (6)—

(i) by striking subparagraph (D); and

(ii) by redesignating subparagraphs (E) and (F) and subparagraphs (D) and (E), respectively;

(B) in paragraph (8), by striking "and" at the end;

(C) in paragraph (9), by striking the period at the end and inserting "; and";

(D) by redesignating paragraphs (6) through (9) as paragraphs (7) through (10), respectively;

(E) by inserting after paragraph (5) the following:

"(6) offer to parents of participating children substance abuse counseling (either directly or through referral to local entities), including information on drug-exposed infants and fetal alcohol syndrome;";

(F) in paragraph (8) (as redesignated in subparagraph (D)), by striking "paragraphs (4) through (6)" and inserting "paragraphs (4) through (7)"; and

(G) by adding at the end the following:

"(11)(A) inform custodial parents in single-parent families that participate in programs, activities, or services carried out

or provided under this subchapter about the availability of child support services for purposes of establishing paternity and acquiring child support; and

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

(3) in subsection (c)—

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

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

(C) by inserting "and programs under part C and section 619 of the Individuals with Disabilities Education Act (20 U.S.C 1431–1445, 1419)" after "(20 U.S.C. 2741 et seq.)";

(4) in subsection (d)—

(A) in paragraph (1)—

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

(ii) by inserting "and educational" after "developmental"; and

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

(B) by striking paragraph (2);

(C) by redesignating paragraphs (3) through (5) as paragraphs (2) through (4), respectively; and

(D) in subparagraph (A) of paragraph (4) (as redesignated in subparagraph (C)), by striking "the Head Start Transition Project Act (42 U.S.C. 9855 et seq.)" and inserting "section 642A"; and

(5) by adding at the end the following:

"(e) Head Start agencies shall adopt, in consultation with experts in child development and with classroom teachers, an assessment to be used when hiring or evaluating any classroom teacher in a center-based Head Start program. Such assessment shall measure whether such teacher has mastered the functions described in section 648A(a)(1).".

SEC. 110. HEAD START TRANSITION.

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

"SEC. 642A. HEAD START TRANSITION.

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

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

"(2) establishing channels of communication between Head Start staff and their counterparts in the schools (including teachers, social workers, and health staff) to facilitate coordination of programs;

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

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

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

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

"(7) linking the services provided in such Head Start program with the education services provided by such local educational agency.".

SEC. 111. SUBMISSION OF PLANS TO GOVERNORS.

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

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

(2) by striking "so disapproved" and inserting "disapproved (for reasons other than failure of the program to comply with State health, safety, and child care laws, including regulations applicable to comparable child care programs in the State)"; and

(3) by inserting before the period ", as evidenced by a written statement of the Secretary's findings that is transmitted to such officer".

SEC. 112. PARTICIPATION IN HEAD START PROGRAMS.

(a) REGULATIONS.—Section 645(a)(1) of the Head Start Act (42 U.S.C. 9840(a)(1)) is amended—

(1) by striking "provide (A) that" and inserting the following: "provide—

"(A) that";

(2) by striking "assistance; and (B) pursuant" and inserting the following: "assistance; and

"(B) pursuant";

(3) in subparagraph (B), by striking "that programs" and inserting "that—

"(i) programs"; and

(4) by striking "clause (A)." and inserting the following: "subparagraph (A); and

"(ii) a child who has been determined to meet the low-income criteria and who is participating in a Head Start program in a program year shall be considered to continue to meet the low-income criteria through the end of the succeeding program year.

In determining, for purposes of this paragraph, whether a child who has applied for enrollment in a Head Start program meets the low-

income criteria, an entity may consider evidence of family income during the 12 months preceding the month in which the application is submitted, or during the calendar year preceding the calendar year in which the application is submitted, whichever more accurately reflects the needs of the family at the time of application.".

(b) SLIDING FEE SCALE.—Section 645(b) of the Head Start Act (42 U.S.C. 9840(b)) is amended by adding at the end the following: "A Head Start agency that provides a Head Start program with full-working-day services in collaboration with other agencies or entities may collect a family copayment to support extended day services if a copayment is required in conjunction with the collaborative. The copayment charged to families receiving services through the Head Start program shall not exceed the copayment charged to families with similar incomes and circumstances who are receiving the services through participation in a program carried out by another agency or entity.".

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

(d) OFF-RESERVATION AREA.—Section 645(d)(1)(B) of the Head Start Act (42 U.S.C. 9840(d)(1)(B)) is amended by striking "a community with" and all that follows through "Indian Affairs" and inserting "a community that is an off-reservation area, designated by an appropriate tribal government, in consultation with the Secretary".

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

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

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

(2) in subsection (a)—

(A) in paragraph (1), by striking "; and" and inserting a period;

(B) by striking paragraph (2); and

(C) by striking "for—" and all that follows through "(1)" and inserting "for";

(3) in subsection (b)—

(A) in paragraph (5), by inserting "(including programs for infants and toddlers with disabilities)" after "community";

(B) in paragraph (7), by striking "and" at the end;

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

(D) by inserting after paragraph (7) the following:

"(8) ensure formal linkages with the agencies and entities described in section 644(b) of the Individuals with Disabilities Education Act (20 U.S.C. 1444(b)) and providers of early intervention services for infants and toddlers with disabilities under the Individuals with Disabilities Education Act (20 U.S.C. 1400 et seq.); and";

(4) in subsection (c)—

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

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

(5) in subsection (d)—

(A) in paragraph (1), by adding "and" at the end;

(B) by striking paragraph (2);

(C) by redesignating paragraph (3) as paragraph (2); and

(D) in paragraph (2), as redesignated in subparagraph (C), by inserting "or for-profit" after "nonprofit";

(6) by striking subsection (e);

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

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

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

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

(9) by striking subsection (h); and

(10) by adding at the end the following:

"(g) MONITORING, TRAINING, TECHNICAL ASSISTANCE, AND EVALUATION.—

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

"(2) TRAINING AND TECHNICAL ASSISTANCE ACCOUNT.—

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

"(B) ACTIVITIES.—Funds in the account may be used by the Secretary for purposes including—

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

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

"(iii) providing ongoing training and technical assistance for existing recipients (as of the date of such training or assistance) of grants under subsection (a) and support and program planning and implementation assistance for new recipients of such grants; and

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

SEC. 114. TECHNICAL ASSISTANCE AND TRAINING.

(a) IN GENERAL.—Section 648 of the Head Start Act (42 U.S.C. 9843) is amended—

(1) in subsection (b)—

(A) in paragraph (1), by striking "and" at the end;

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

(C) by adding at the end the following:

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

(2) in subsection (c)—

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

"(1) give priority consideration to—

"(A) activities to correct program and management deficiencies identified through reviews carried out pursuant to section 641A(c) (including the provision of assistance to local programs in the development of quality improvement plans under section 641A(d)(2)); and

"(B) assisting Head Start agencies in—

"(i) ensuring the school readiness of children; and

"(ii) meeting the educational performance measures described in section 641A(b)(4);";

(B) in paragraph (2), by inserting "supplement amounts provided under section 640(a)(3)(C)(ii) in order to" after "(2)";

(C) in paragraph (4)—

(i) by inserting "and implementing" after "developing"; and

(ii) by striking "a longer day" and inserting the following: "the day, and assist the agencies and programs in expediting the sharing of information about innovative models for providing full-working-day, full calendar year services for children";

(D) in paragraph (7), by striking "; and" and inserting a semicolon;

(E) in paragraph (8), by striking the period and inserting "; and";

(F) by redesignating paragraphs (3) through (8) as paragraphs (5) through (10), respectively;

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

"(3) assist Head Start agencies in the development of collaborative initiatives with States and other entities within the States, to foster effective early childhood professional development systems;

"(4) provide technical assistance and training, either directly or through a grant, contract, or cooperative agreement with an entity that has experience in the development and operation of successful family literacy services programs, for the purpose of—

"(A) assisting Head Start agencies providing family literacy services, in order to improve the quality of such family literacy services; and

"(B) enabling those Head Start agencies that demonstrate effective provision of family literacy services, based on improved outcomes for children and their parents, to provide technical assistance and training to other Head Start agencies and to service providers that work in collaboration with such agencies to provide family literacy services;"; and

(H) by adding at the end the following:

"(11) provide support for Head Start agencies (including policy councils and policy committees, as defined in regulation) that meet the standards described in section 641A(a) but that have, as documented by the Secretary through reviews conducted pursuant to section 641A(c), significant programmatic, quality, and fiscal issues to address.".

(b) SERVICES.—Section 648(e) of the Head Start Act (42 U.S.C. 9843(e)) is amended by inserting "(including services to promote the acquisition of the English language)" after "non-English language background children".

SEC. 115. PROFESSIONAL REQUIREMENTS.

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

(1) by amending subsection (a) to read as follows:

"(a) CLASSROOM TEACHERS.—

"(1) PROFESSIONAL REQUIREMENTS.—The Secretary shall ensure that each Head Start classroom in a center-based program is assigned one teacher who has demonstrated competency to perform functions that include—

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

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

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

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

"(2) DEGREE REQUIREMENTS.—

"(A) IN GENERAL.—The Secretary shall ensure that not later than September 30, 2003, at least 50 percent of all

Head Start teachers nationwide in center-based programs have—

"(i) an associate, baccalaureate, or advanced degree in early childhood education; or

"(ii) an associate, baccalaureate, or advanced degree in a field related to early childhood education, with experience in teaching preschool children.

"(B) PROGRESS.—The Secretary shall require Head Start agencies to demonstrate continuing progress each year to reach the result described in subparagraph (A).

"(3) ALTERNATIVE CREDENTIALING REQUIREMENTS.—The Secretary shall ensure that, for center-based programs, each Head Start classroom that does not have a teacher that meets the requirements of clause (i) or (ii) of paragraph (2)(A) is assigned one teacher who has—

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

"(B) a State-awarded certificate for preschool teachers that meets or exceeds the requirements for a child development associate credential; or

"(C) a degree in a field related to early childhood education with experience in teaching preschool children and a State-awarded certificate to teach in a preschool program.

"(4) WAIVER.—

"(A) IN GENERAL.—On request, the Secretary shall grant a 180-day waiver of the requirements of paragraph (3), for a Head Start agency that can demonstrate that the agency has unsuccessfully attempted to recruit an individual who has a credential, certificate, or degree described in paragraph (3), with respect to an individual who—

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

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

"(B) LIMITATION.—The Secretary may not grant more than one such waiver with respect to such individual."; and

(2) in subsection (b)(2)(B)—

(A) by striking "staff," and inserting "staff or"; and

(B) by striking ", or that" and all that follows through "families".

SEC. 116. RESEARCH AND EVALUATION.

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

(1) in subsection (d)—

(A) in paragraph (6), by striking "and" at the end;

(B) in paragraph (7), by striking the period at the end and inserting a semicolon;

(C) by redesignating paragraphs (2) through (7) as paragraphs (3) through (8), respectively;

(D) by inserting after paragraph (1) the following:

"(2) establish evaluation methods that measure the effectiveness and impact of family literacy services program models, including models for the integration of family literacy services with Head Start services;"; and

(E) by adding at the end the following:

"(9) study the experiences of small, medium, and large States with Head Start programs in order to permit comparisons of children participating in the programs with eligible children who did not participate in the programs, which study—

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

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

"(10) provide for—

"(A) using the Survey of Income and Program Participation to conduct an analysis of the different income levels of Head Start participants compared to comparable persons who did not attend Head Start programs;

"(B) using the National Longitudinal Survey of Youth, which began gathering data in 1988 on children who attended Head Start programs, to examine the wide range of outcomes measured within the Survey, including outcomes related to cognitive, socio-emotional, behavioral, and academic development;

"(C) using the Survey of Program Dynamics, the new longitudinal survey required by section 414 of the Social Security Act (42 U.S.C. 614), to begin annual reporting, through the duration of the Survey, on Head Start program attendees' academic readiness performance and improvements;

"(D) ensuring that the Survey of Program Dynamics is linked with the National Longitudinal Survey of Youth at least once by the use of a common performance test, to be determined by the expert panel, for the greater national usefulness of the National Longitudinal Survey of Youth database; and

"(E) disseminating the results of the analysis, examination, reporting, and linkage described in subparagraphs (A) through (D) to persons conducting other studies under this subchapter.

The Secretary shall ensure that an appropriate entity carries out a study described in paragraph (9), and prepares and submits to the appropriate committees of Congress a report containing the results of the study, not later than September 30, 2002."; and

(2) by adding at the end the following:

"(g) NATIONAL HEAD START IMPACT RESEARCH.—

"(1) EXPERT PANEL.—

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

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

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

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

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

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

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

"(4) PROGRAMS.—The Secretary shall ensure that the research focuses primarily on Head Start programs that operate in the 50 States, the Commonwealth of Puerto Rico, or the District of Columbia and that do not specifically target special populations.

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

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

"(ii) considers whether the Head Start programs—

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

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

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

"(iii) examines—

"(I) the impact of the Head Start programs on increasing access of children to such services as educational, health, and nutritional services, and linking children and families to needed community services; and

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

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

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

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

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

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

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

"(A) Head Start program operations;

"(B) Head Start program quality;

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

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

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

"(F) the number of hours and days of program operation of the Head Start program (such as whether the program is a full-working-day, full calendar year program, a part-day program, or a part-year program); and

"(G) other characteristics and features of the Head Start program (such as geographic location, location in an

urban or a rural service area, or participant characteristics), as appropriate.

"(7) REPORTS.—

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

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

"(C) TRANSMITTAL OF REPORTS TO CONGRESS.—

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

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

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

"(h) QUALITY IMPROVEMENT STUDY.—

"(1) STUDY.—The Secretary shall conduct a study regarding the use and effects of use of the quality improvement funds made available under section 640(a)(3) since fiscal year 1991.

"(2) REPORT.—The Secretary shall prepare and submit to Congress not later than September 2000 a report containing the results of the study, including information on—

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

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

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

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

SEC. 117. REPORTS.

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

(1) by inserting "(a) STATUS OF CHILDREN.—" before "At";

(2) by striking "and Labor" each place it appears and inserting "and the Workforce"; and

(3) by adding at the end the following:

"(b) FACILITIES.—At least once during every 5-year period, the Secretary shall prepare and submit, to the Committee on Education and the Workforce of the House of Representatives and the Committee on Labor and Human Resources of the Senate, a report concerning the condition, location, and ownership of facilities used, or available to be used, by Indian Head Start agencies (including Native Alaskan Head Start agencies) and Native Hawaiian Head Start agencies.".

SEC. 118. REPEAL OF CONSULTATION REQUIREMENT.

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

SEC. 119. REPEAL OF HEAD START TRANSITION PROJECT ACT.

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

TITLE II—COMMUNITY SERVICES BLOCK GRANT PROGRAM

SEC. 201. REAUTHORIZATION.

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

"Subtitle B—Community Services Block Grant Program

"SEC. 671. SHORT TITLE.

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

"SEC. 672. PURPOSES AND GOALS.

"The purposes of this subtitle are—

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

"(2) to accomplish the goals described in paragraph (1) through—

"(A) the strengthening of community capabilities for planning and coordinating the use of a broad range of Federal, State, local, and other assistance (including private resources) related to the elimination of poverty, so that this assistance can be used in a manner responsive to local needs and conditions;

"(B) the organization of a range of services related to the needs of low-income families and individuals, so that these services may have a measurable and potentially

major impact on the causes of poverty in the community and may help the families and individuals to achieve self-sufficiency;

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

"(D) the maximum participation of residents of the low-income communities and members of the groups served by programs assisted through the block grants made under this subtitle to empower such residents and members to respond to the unique problems and needs within their communities; and

"(E) the broadening of the resource base of programs directed to the elimination of poverty so as to secure a more active role in the provision of services for—

"(i) private, religious, charitable, and neighborhood-based organizations; and

"(ii) individual citizens, and 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; FAMILY LITERACY SERVICES.—

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

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

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

"(B) FAMILY LITERACY SERVICES.—The term 'family literacy services' has the meaning given the term in section 637 of the Head Start Act (42 U.S.C. 9832).

"(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 annually (or at any shorter interval the Secretary determines to be feasible and desirable) the poverty line, which shall be used as a criterion of eligibility in the community services block grant program established under this subtitle. The required revision shall be accomplished by multiplying the official poverty line by the percentage change in the Consumer Price Index for All Urban Consumers during the annual or other interval immediately preceding the time at which the revision is made. Whenever a State determines that it serves the objectives of the block grant program established under this subtitle, the State may revise the

poverty line to not to exceed 125 percent of the official poverty line otherwise applicable under this paragraph.

"(3) PRIVATE, NONPROFIT ORGANIZATION.—The term 'private, nonprofit organization' includes a religious 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.

"SEC. 674. AUTHORIZATION OF APPROPRIATIONS.

"(a) IN GENERAL.—There are authorized to be appropriated such sums as may be necessary for each of fiscal years 1999 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 eligible entities, organizations, or associations described in section 678A(c)(2) for the purpose of carrying out activities described in section 678A(c); and

"(B) ½ of the remainder of the amount reserved by the Secretary under this paragraph shall be used by the Secretary to carry out evaluation and to assist States in carrying out corrective action activities and monitoring (to correct programmatic deficiencies of eligible entities), as described in sections 678B(c) and 678A; and

"(3) 9 percent for carrying out section 680 (relating to discretionary activities) and section 678E(b)(2).

"SEC. 675. ESTABLISHMENT OF BLOCK GRANT PROGRAM.

"The Secretary is authorized to establish a community services block grant program and make grants through the program to States to ameliorate the causes of poverty in communities within the States.

"SEC. 675A. DISTRIBUTION TO TERRITORIES.

"(a) APPORTIONMENT.—The Secretary shall apportion the amount reserved under section 674(b)(1) for each fiscal year on the basis of need among Guam, American Samoa, the United States Virgin Islands, and the Commonwealth of the Northern Mariana Islands.

"(b) APPLICATION.—Each jurisdiction to which subsection (a) applies may receive a grant under this section 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 sec-

tion, that is prepared in accordance with, and contains the information described in, section 676.

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

"(a) ALLOTMENTS IN GENERAL.—The Secretary shall, from the amount appropriated under section 674(a) for each fiscal year that remains after the Secretary makes the reservations required in section 674(b), allot to each State (subject to section 677) an amount that bears the same ratio to such remaining amount as the amount received by the State for fiscal year 1981 under section 221 of the Economic Opportunity Act of 1964 bore to the total amount received by all States for fiscal year 1981 under such section, except—

"(1) that no State shall receive less than ¼ of 1 percent of the amount appropriated under section 674(a) for such fiscal year; and

"(2) as provided in subsection (b).

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

"(1) MINIMUM ALLOTMENTS.—Subject to paragraphs (2) and (3), if the amount appropriated under section 674(a) for a fiscal year that remains after the Secretary makes the reservations required in section 674(b) exceeds $345,000,000, the Secretary shall allot to each State not less than ½ of 1 percent of the amount appropriated under section 674(a) for such fiscal year.

"(2) MAINTENANCE OF FISCAL YEAR 1990 LEVELS.—Paragraph (1) shall not apply with respect to a fiscal year if the amount allotted under subsection (a) to any State for that year is less than the amount allotted under section 674(a)(1) (as in effect on September 30, 1989) to such State for fiscal year 1990.

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

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

"(d) DEFINITION.—In 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 ELIGIBLE ENTITIES AND OTHER ORGANIZATIONS.—

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

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

fiscal year and the succeeding fiscal year, subject to 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 grant or allotment received under section 675A or 675B to make grants under subsection (a), the State shall use the remainder of the grant or allotment under section 675A or 675B (subject to paragraph (2)) for activities that may include—

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

"(B) coordinating State-operated programs and services, and at the option of the State, locally-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 State charity tax credits as described in subsection (c); and

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

"(2) ADMINISTRATIVE CAP.—No State may spend more than the greater of $55,000, or 5 percent, of the grant received under section 675A or State 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 grant under section 675A or 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. The start-up cost and cost of administrative activities conducted under subsection (c) shall be considered to be administrative expenses.

"(c) CHARITY TAX CREDIT.—

"(1) IN GENERAL.—Subject to paragraph (2), if there is in effect under State law a charity tax credit, the State may use for any purpose the amount of the allotment that is available for expenditure under subsection (b).

"(2) LIMIT.—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) DEFINITIONS AND RULES.—In 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 that does not impose an income tax, a comparable benefit) that 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) that 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) an eligible entity; 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) that 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, that 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 de-

scribed in section 501(c)(3) of such Code and exempt from tax under section 501(a) of such Code—

"(aa) that solicits and collects gifts and grants that, by agreement, are distributed to qualified charities;

"(bb) that distributes to qualified charities at least 90 percent of the gifts and grants the organization receives that are designated for such qualified charities; and

"(cc) that 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 poverty line 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 that 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 provision 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 direct 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 that consists of a payment to an affiliate of the organization.

"(v) REPORTING REQUIREMENT.—The information required to be furnished under this clause about an organization is—

"(I) the percentages determined by dividing the following categories of the organization's expenses for the year by the total expenses of the organization for the year: expenses for direct services, management expenses, general expenses, fundraising expenses, and payments to affiliates; and

"(II) the category or categories (including food, shelter, education, substance abuse prevention or treatment, job training, or other) of services that constitute predominant activities of the organization.

"(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 information on the administrative and fundraising costs of the organization, and information as to the organizations receiving funds from the organization and the amount of such funds.

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

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

"(II) that, 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 described in paragraph (2) is limited to a uniform percentage (but not greater

than 25 percent) of State personal income tax liability (determined without regard to credits).

"(4) LIMITATION ON USE OF FUNDS FOR STARTUP AND ADMINISTRATIVE ACTIVITIES.—Except to the extent provided in subsection (b)(2), no part of the aggregate amount a State uses under paragraph (1) may be used to pay for the cost of the startup and administrative activities conducted under this subsection.

"(5) PROHIBITION ON USE OF FUNDS FOR LEGAL SERVICES OR TUITION ASSISTANCE.—No part of the aggregate amount a State uses under paragraph (1) may be used to provide legal services or to provide tuition assistance related to compulsory education requirements (not including tuition assistance for tutoring, camps, skills development, or other supplemental services or training).

"(6) PROHIBITION ON SUPPLANTING FUNDS.—No part of the aggregate amount a State uses under paragraph (1) may be used to supplant non-Federal funds that would be available, in the absence of Federal funds, to offset a revenue loss of the State attributable to a charity tax credit.

"SEC. 676. APPLICATION AND PLAN.

"(a) DESIGNATION OF LEAD AGENCY.—

"(1) DESIGNATION.—The chief executive officer of a State desiring to receive a grant or allotment under section 675A or 675B 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 one hearing in the State with sufficient time and statewide distribution of notice of such hearing, to provide to the public an opportunity to comment on the proposed use and distribution of funds to be provided through the grant or allotment under section 675A or 675B for the period covered by the State plan; and

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

"(3) LEGISLATIVE HEARING.—In order to be eligible to receive a grant or allotment under section 675A or 675B, the State shall hold at least one legislative hearing every 3 years in conjunction with the development of the State plan.

"(b) STATE APPLICATION AND PLAN.—Beginning with fiscal year 2000, to be eligible to receive a grant or allotment under section 675A or 675B, 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 grant or allotment will be used—

"(A) to support activities that are designed to assist low-income families and individuals, including families and individuals receiving assistance under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), 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—

"(i) to remove obstacles and solve problems that block the achievement of self-sufficiency (including self-sufficiency for families and individuals who are attempting to transition off a State program carried out under part A of title IV of the Social Security Act);

"(ii) to secure and retain meaningful employment;

"(iii) to attain an adequate education, with particular attention toward improving literacy skills of the low-income families in the communities involved, which may include carrying out family literacy initiatives;

"(iv) to make better use of available income;

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

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

"(vii) to achieve greater participation in the affairs of the communities involved, including the development of public and private grassroots partnerships with local law enforcement agencies, local housing authorities, private foundations, and other public and private partners to—

"(I) document best practices based on successful grassroots intervention in urban areas, to develop methodologies for widespread replication; and

"(II) strengthen and improve relationships with local law enforcement agencies, which may include participation in activities such as neighborhood or community policing efforts;

"(B) 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 the prevention of youth problems and crime, and promote increased community coordination and collaboration in meeting the needs of youth, and support development and expansion of innovative community-based youth development programs that have demonstrated success in preventing or reducing youth crime, such as—

"(i) programs for the establishment of violence-free zones that would involve youth development and intervention models (such as models involving youth medi-

ation, youth mentoring, life skills training, job creation, and entrepreneurship programs); and

"(ii) after-school child care programs; and

"(C) 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 grant or 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) information provided by eligible entities in the State, containing—

"(A) a description of the service delivery system, for services provided or coordinated with funds made available through grants made under section 675C(a), 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 grants made under section 675C(a) will be coordinated with other public and private resources; and

"(D) a description of how the local entity will use the funds to support innovative community and neighborhood-based initiatives related to the purposes of this subtitle, which may include fatherhood initiatives and other initiatives with the goal of strengthening families and encouraging effective parenting;

"(4) an assurance that 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 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, and a description of how the State and the eligible entities will coordinate the provision of employment and training activities, as defined in section 101 of such Act, in the State and in communities with entities providing activities through statewide and local workforce investment systems under the Workforce Investment Act of 1998;

"(6) an assurance that the State will ensure coordination between antipoverty programs in each community in the State, 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 in the State that received funding in the previous fiscal year through a community services block grant made under this subtitle will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction, subject to review by the Secretary as provided in section 678C(b);

"(9) an assurance that the State and 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 religious organizations, charitable groups, and community organizations;

"(10) an assurance that the State will require each eligible entity in the State to establish procedures under which a low-income individual, community organization, or religious 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 in the State, as a condition to receipt of funding by the entity through a community services block grant made 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 for which the Secretary facilitated development 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 through a community services block grant 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 or a State plan, or to meet a State requirement, as described in section 678C(a); and

"(2) a termination, the term 'cause' includes the failure of an eligible entity to comply with the terms of an agreement or a State plan, or to meet a State requirement, as described in section 678C(a).

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

"(e) REVISIONS AND INSPECTION.—

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

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

"(f) TRANSITION.—For fiscal year 2000, to be eligible to receive a grant or allotment under section 675A or 675B, a State shall prepare and submit to the Secretary an application and State plan in accordance with the provisions of this subtitle (as in effect on the day before the date of enactment of the Coats Human Services Reauthorization Act of 1998), rather than the provisions of subsections (a) through (c) relating to applications and plans.

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

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

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

"(A) a private nonprofit organization (which may include an eligible entity) 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; and

"(B) a private nonprofit eligible entity that is geographically located in an area contiguous to or within reasonable proximity of the unserved area and that is already providing related services in the unserved area.

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

"(A) in each of the three required categories described in subparagraphs (A), (B), and (C) of section 676B(a)(2), by

members that reside in the community comprised by the unserved area; and

"(B) in the category described in section 676B(a)(2)(B), by members that reside in the neighborhood to be 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 eligible entities that are 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, planning, implementation, and evaluation of the program to serve low-income communities.

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

"(A) 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 such elected officials reasonably available and willing to serve on the board is less than 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 1/3 requirement;

"(B)(i) not fewer than 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; and

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

"(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.

"(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 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 development, planning, implementation, and evaluation of programs funded under this subtitle; or

"(2) another mechanism specified by the State to assure decisionmaking and participation by low-income individuals in the development, planning, implementation, 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 through a community services block grant made under this subtitle in such State.

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

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

"(e) DEFINITIONS.—In this section:

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

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

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

"SEC. 678. OFFICE OF COMMUNITY SERVICES.

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

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

"SEC. 678A. TRAINING, TECHNICAL ASSISTANCE, AND OTHER ACTIVITIES.

"(a) ACTIVITIES.—

"(1) IN GENERAL.—The Secretary shall use amounts reserved in section 674(b)(2)—

"(A) for training, technical assistance, planning, evaluation, and performance measurement, to assist States in carrying out corrective action activities and monitoring (to correct programmatic deficiencies of eligible entities), and for reporting and data collection activities, related to programs carried out under this subtitle; and

"(B) to distribute amounts in accordance with subsection (c).

"(2) GRANTS, CONTRACTS, AND COOPERATIVE AGREEMENTS.—The activities described in paragraph (1)(A) may be carried out by the Secretary through grants, contracts, or cooperative agreements with appropriate entities.

"(b) TERMS AND TECHNICAL ASSISTANCE 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 quality of financial management practices) are addressed to the maximum extent feasible; and

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

"(c) DISTRIBUTION REQUIREMENT.—

"(1) IN GENERAL.—The amounts reserved under section 674(b)(2)(A) for activities to be carried out under this subsection shall be distributed directly to eligible entities, organizations, or associations described in paragraph (2) for the purpose of improving program quality (including quality of financial management practices), management information and reporting systems, and measurement of program results, and for the purpose of ensuring responsiveness to identified local needs.

"(2) ELIGIBLE ENTITIES, ORGANIZATIONS, OR ASSOCIATIONS.—Eligible entities, organizations, or associations described in this paragraph shall be eligible entities, or statewide

or local organizations or associations, with demonstrated expertise in providing training to individuals and organizations on methods of effectively addressing the needs of low-income families and communities.

"SEC. 678B. MONITORING OF ELIGIBLE ENTITIES.

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

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

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

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

"(4) Other reviews as appropriate, including reviews of entities with programs that have had other Federal, State, or local grants (other than assistance provided under this subtitle) terminated for cause.

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

"(c) EVALUATIONS BY THE SECRETARY.—The Secretary shall conduct in several States in each fiscal year evaluations (including 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 section 676(b). The Secretary shall submit, to each State evaluated, a report containing the results of such evaluations, and recommendations of improvements designed to enhance the benefit and impact of the activities carried out with such funds for people in need. On receiving the report, the State shall submit to the Secretary a plan of action in response to the recommendations contained in the report. The results of the evaluations shall be submitted annually 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 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 final decision in a review pursuant to section 678B, that an eligible entity 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 90 days after the Secretary receives from the State all necessary documentation relating to the determination to terminate the designation or reduce the funding. If the review is not completed within 90 days, the determination of the State shall become final at the end of the 90th 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 hearing described in that section and the Secretary's review as required in subsection (b), the Secretary is authorized to provide financial assistance under this subtitle to the eligible entity affected until the violation is corrected. In such a case, the grant or allotment for the State under section 675A or 675B for the earliest appropriate fiscal year 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 disbursal of and accounting for Federal funds paid to the State under this subtitle, including procedures for monitoring the funds provided under this subtitle;

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

"(C) subject to paragraph (2), prepare, at least every year, 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.—

"(A) IN GENERAL.—Subject to subparagraph (B), 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.

"(B) SINGLE AUDIT REQUIREMENTS.—Audits shall be conducted under this paragraph in the manner and to the extent provided in chapter 75 of title 31, United States Code (commonly known as the 'Single Audit Act Amendments of 1996').

"(C) SUBMISSION OF COPIES.—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 grant or allotment under section 675A or 675B in accordance with the provisions of this subtitle, including the assurances such State provided under section 676.

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

"(3) INVESTIGATIONS.—Whenever the Secretary determines that there is a pattern of complaints of failures described in paragraph (2) from any State in any fiscal year, the Secretary shall conduct an investigation of the use of funds received under this subtitle by such State in order to ensure compliance with the provisions of this subtitle.

"SEC. 678E. ACCOUNTABILITY AND REPORTING REQUIREMENTS.

"(a) STATE ACCOUNTABILITY AND REPORTING REQUIREMENTS.—

"(1) PERFORMANCE MEASUREMENT.—

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

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

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

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

"(1) PERFORMANCE MEASUREMENT.—The Secretary, in collaboration with the States and with eligible entities throughout the Nation, shall facilitate the development of one or more model performance measurement systems, which may be used by the States and by eligible entities to measure their performance in carrying out the requirements of this subtitle and in achieving the goals of 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 administrative costs and on the direct delivery of local services by eligible entities;

"(C) information on the number of entities eligible for funds under this subtitle, the number of low-income persons served under this subtitle, and such demographic data on the low-income populations served by eligible entities as is determined by the Secretary to be feasible;

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

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

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

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

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

"(a) CONSTRUCTION OF FACILITIES.—

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

"(2) WAIVER.—The Secretary may waive the limitation contained in paragraph (1) upon a State request for such a waiver, if the Secretary finds that the request describes extraordinary circumstances to justify the purchase of land or the construction of facilities (or the making of permanent improvements) and that permitting the waiver will contribute to the ability of the State to carry out the purposes of this subtitle.

"(b) POLITICAL ACTIVITIES.—

"(1) TREATMENT AS A STATE OR LOCAL AGENCY.—For purposes of chapter 15 of title 5, United States Code, any entity that assumes responsibility for planning, developing, and coordinating activities under this subtitle and receives assistance

under this subtitle shall be deemed to be a State or local agency. For purposes of paragraphs (1) and (2) of section 1502(a) of such title, any entity receiving assistance under this subtitle shall be deemed to be a State or local agency.

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

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

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

"(C) any voter registration activity.

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

"(c) NONDISCRIMINATION.—

"(1) IN GENERAL.—No person shall, on the basis of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with funds made available under this subtitle. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), or title II of the Americans with Disabilities Act of 1990 (42 U.S.C. 12131 et seq.) shall also apply to any such program or activity.

"(2) ACTION OF SECRETARY.—Whenever the Secretary determines that a State that has received a payment under this subtitle has failed to comply with paragraph (1) or an applicable regulation, the Secretary shall notify the chief executive officer of the State and shall request that the officer secure compliance. If within a reasonable period of time, not to 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.), 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.), 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. 678G. DRUG AND CHILD SUPPORT SERVICES AND REFERRALS.

"(a) DRUG TESTING AND REHABILITATION.—

"(1) IN GENERAL.—Nothing in this subtitle shall be construed to prohibit a State from testing participants in programs, activities, or services carried out or provided under this subtitle for controlled substances. A State that conducts such testing shall inform the participants who test positive for any of such substances about the availability of treatment or rehabilitation services and refer such participants for appropriate treatment or rehabilitation services.

"(2) ADMINISTRATIVE EXPENSES.—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 675C(b)(2).

"(3) DEFINITION.—In this subsection, the term 'controlled substance' has the meaning given the term in section 102 of the Controlled Substances Act (21 U.S.C. 802).

"(b) CHILD SUPPORT SERVICES AND REFERRALS.—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 or provided under this subtitle about the availability of child support services; and

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

"SEC. 679. OPERATIONAL RULE.

"(a) RELIGIOUS 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, religious 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 religious character.

"(b) RELIGIOUS CHARACTER AND INDEPENDENCE.—

"(1) IN GENERAL.—A religious organization that provides assistance under a program described in subsection (a) shall retain its religious character and control over the definition, development, practice, and expression of its religious beliefs.

"(2) ADDITIONAL SAFEGUARDS.—Neither the Federal Government nor a State or local government shall require a religious organization—

"(A) to alter its form of internal governance, except (for purposes of administration of the community services block grant program) as provided in section 676B; or

"(B) to remove religious art, icons, scripture, or other symbols;

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

"(3) EMPLOYMENT PRACTICES.—A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e–1) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described in subsection (a).

"(c) LIMITATIONS ON USE OF FUNDS FOR CERTAIN PURPOSES.—No funds provided directly to a religious 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 religious organization providing assistance under any program described in subsection (a) shall be subject to the same regulations as other nongovernmental organizations to account in accord with generally accepted accounting principles for the use of such funds provided under such program.

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

"(e) TREATMENT OF ELIGIBLE ENTITIES AND OTHER INTERMEDIATE ORGANIZATIONS.—If an eligible entity or other organization (referred to in this subsection as an 'intermediate organization'), acting under a contract, or grant or other agreement, with the Federal Government or a State or local government, is given the authority under the contract or agreement to select nongovernmental organizations to provide assistance under the programs described in subsection (a), the intermediate organization shall have the same duties under this section as the government.

"SEC. 680. DISCRETIONARY AUTHORITY OF THE SECRETARY.

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

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

"(2) COMMUNITY ECONOMIC DEVELOPMENT.—

"(A) ECONOMIC DEVELOPMENT ACTIVITIES.—The Secretary shall make grants described in paragraph (1) on a competitive basis to private, 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 providing—

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

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

"(4) NEIGHBORHOOD INNOVATION PROJECTS.—The Secretary shall provide the assistance described in paragraph (1) for neighborhood innovation projects, which shall include providing grants to neighborhood-based private, nonprofit organizations to test or assist in the development of new approaches or methods that will aid in overcoming special problems identified by communities or neighborhoods or otherwise assist in furthering the purposes of this subtitle, and which may include providing assistance for projects that are designed to serve low-income individuals and families who are not being effectively served by other programs.

"(b) EVALUATION.—The Secretary shall require all activities receiving assistance under this section to be evaluated for their effec-

tiveness. Funding for such evaluations shall be provided as a stated percentage of the assistance or through a separate grant awarded by the Secretary specifically for the purpose of evaluation of a particular activity or group of activities.

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

"SEC. 681. COMMUNITY FOOD AND NUTRITION PROGRAMS.

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

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

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

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

"(b) ALLOTMENTS AND DISTRIBUTION OF FUNDS.—

"(1) NOT TO EXCEED $6,000,000 IN APPROPRIATIONS.—Of the amount appropriated for a fiscal year to carry out this section (but not to exceed $6,000,000), the Secretary shall distribute funds for grants under subsection (a) as follows:

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

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

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

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

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

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

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

"(4) MINIMUM ALLOTMENTS FOR STATEWIDE PROGRAMS.—

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

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

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

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

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

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

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

"(1) a list of grant recipients;

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

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

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

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

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

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

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

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

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

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

"(5) enrichment instruction and information on matters relating to the well-being of youth, to include educational opportunities and information on study practices, education for the prevention of drug and alcohol abuse, and information on health and nutrition, career opportunities, and family and job responsibilities.

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

"(1) ensure that—

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

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

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

"(d) ELIGIBLE PROVIDERS.—A service provider that is a national private, nonprofit organization, a coalition of such organizations, or

a private, nonprofit organization applying jointly with a business concern shall be eligible to apply for a grant under this section if—

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

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

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

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

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

"(f) PROMULGATION OF REGULATIONS OR PROGRAM GUIDELINES.—The Secretary shall promulgate regulations or program guidelines to ensure funds made available through a grant made under this section are used in accordance with the objectives of this subtitle.

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

"SEC. 683. REFERENCES.

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

SEC. 202. CONFORMING AMENDMENTS.

(a) OLDER AMERICANS ACT OF 1965.—Section 306(a)(6)(E)(ii) of the Older Americans Act of 1965 (42 U.S.C. 3026(a)(6)(E)(ii)) is amended by striking "section 675(c)(3) of the Community Services Block Grant Act (42 U.S.C. 9904(c)(3))" and inserting "section 676B of the Community Services Block Grant Act".

(b) COMMUNITY ECONOMIC DEVELOPMENT ACT OF 1981.—

(1) SOURCE OF FUNDS.—Section 614 of the Community Economic Development Act of 1981 (42 U.S.C. 9803) is repealed.

(2) ADVISORY COMMUNITY INVESTMENT BOARD.—Section 615(a)(2) of the Community Economic Development Act of 1981 (42 U.S.C. 9804(a)(2)) is amended by striking "through the Office" and all that follows and inserting "through an appropriate office.".

(c) HUMAN SERVICES REAUTHORIZATION ACT OF 1986.—Section 407 of the Human Services Reauthorization Act of 1986 (42 U.S.C. 9812a) is amended—

(1) in subsection (a)—

(A) by inserting after "funds available" the following: "(before the date of enactment of the Coats Human Services Reauthorization Act of 1998)"; and

(B) by inserting after "9910(a))" the following: "(as in effect before such date)"; and

(2) in subsection (b)(2)—

(A) by inserting after "funds available" the following: "(before the date of enactment of the Coats Human Services Reauthorization Act of 1998)"; and

(B) by inserting after "9910(a))" the following: "(as in effect before such date)".

(d) ANTI-DRUG ABUSE ACT OF 1988.—Section 3521(c)(2) of the Anti-Drug Abuse Act of 1988 (42 U.S.C. 11841(c)(2)) is amended by striking ", such as activities authorized by section 681(a)(2)(F) of the Community Services Block Grant Act (42 U.S.C. section 9910(a)(2)(F)),".

TITLE III—LOW-INCOME HOME ENERGY ASSISTANCE

SEC. 301. SHORT TITLE.

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

SEC. 302. 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 ", such sums as may be necessary for each of fiscal years 2000 and 2001, and $2,000,000,000 for each of fiscal years 2002 through 2004" after "1995 through 1999".

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

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

(c) INCENTIVE PROGRAM FOR LEVERAGING NON-FEDERAL RESOURCES.—Section 2602(d) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621(d)) is amended—

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

(2) by striking "are authorized" and inserting "is authorized";

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

(4) by adding at the end the following:

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

(d) TECHNICAL AMENDMENTS.—Section 2602(e) of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621(e)) is amended—

(1) by striking "are authorized" and inserting "is authorized"; and

(2) by striking "subsection (g)" and inserting "subsection (e) of such section".

SEC. 303. 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. 304. 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) 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) 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 the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8623(g)) is amended by

striking the last two sentences and inserting the following: "In determining whether to make such an allotment to a State, the Secretary shall take into account the extent to which the State was affected by the natural disaster or other emergency involved, the availability to the State of other resources under the program carried out under this title or any other program, 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. 305. 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)"; and

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

SEC. 306. 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.";

(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. 307. PAYMENTS TO STATES.

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

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

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

SEC. 308. RESIDENTIAL ENERGY ASSISTANCE CHALLENGE OPTION.

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

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

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

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

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

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

(1) in subsection (e)(2)—

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

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

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

SEC. 309. TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE REVIEWS.

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

(1) in the matter preceding paragraph (1), by striking "$250,000" and inserting "$300,000";

(2) by striking "Secretary—" and all that follows through "(1) to make" and inserting the following: "Secretary—

"(1) to—

"(A) make";

(3) by striking "organizations; or" and all that follows through "(2) to enter" and inserting the following: "organizations; or

"(B) enter";

(4) by striking the following:

"to provide" and inserting the following:

"to provide";

(5) by striking "title." and inserting the following: "title; or

"(2) to conduct onsite compliance reviews of programs supported under this title."; and

(6) in paragraph (1)(B) (as redesignated in paragraphs (2) and (3))—

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

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

(b) CONFORMING AMENDMENT.—The section heading of section 2609A of the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8628a) is amended to read as follows:

"TECHNICAL ASSISTANCE, TRAINING, AND COMPLIANCE REVIEWS".

TITLE IV—ASSETS FOR INDEPENDENCE

SEC. 401. SHORT TITLE.

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

SEC. 402. FINDINGS.

Congress makes the following findings:

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

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

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

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

SEC. 403. PURPOSES.

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

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

(2) the extent to which an asset-based policy that promotes saving for postsecondary education, homeownership, and microenterprise development may be used to enable individuals and

families with limited means to increase their economic self-sufficiency; and

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

SEC. 404. DEFINITIONS.

In this title:

(1) APPLICABLE PERIOD.—The term "applicable period" means, with respect to amounts to be paid from a grant made for a project year, the calendar year immediately preceding the calendar year in which the grant is made.

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

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

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

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

(C) is made for—

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

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

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

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

(5) INDIVIDUAL DEVELOPMENT ACCOUNT.—

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

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

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

(iii) The assets of the trust will be invested in accordance with the direction of the eligible individual after consultation with the qualified entity providing deposits for the individual under section 410.

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

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

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

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

(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 405 jointly with an organization described in clause (i).

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

(8) QUALIFIED EXPENSES.—The term "qualified expenses" means one or more of the following, as provided by a 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 101 or 102 of the Higher Education Act of 1965.

(II) POSTSECONDARY VOCATIONAL EDUCATION SCHOOL.—An area vocational education school (as defined in subparagraph (C) or (D) of section 521(4) of the Carl D. Perkins Vocational and Applied Technology Education Act (20 U.S.C. 2471(4))) which is in any State (as defined in section 521(33) of such Act), as such sections are in effect on the date of enactment of this title.

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

(i) PRINCIPAL RESIDENCE.—The term "principal residence" means a main 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 involved (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 that 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 an 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, acting through the Director of Community 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. 405. APPLICATIONS.

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

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

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

(1) SUFFICIENCY OF PROJECT.—The degree to which the project described in the application appears likely to aid project participants in achieving economic self-sufficiency through activities requiring one or more qualified expenses.

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

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

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

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

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

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

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

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

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

(e) APPROVAL.—Not later than 9 months after the date of enactment of this title, the Secretary shall, on a competitive basis, approve such applications to conduct demonstration projects under this title as the Secretary considers to be appropriate, taking into account the assessments required by subsections (c) and (d). The

Secretary shall ensure, to the maximum extent practicable, that the applications that are approved involve a range of communities (both rural and urban) and diverse populations.

(f) CONTRACTS WITH NONPROFIT ENTITIES.—The Secretary may contract with an entity described in section 501(c)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code to carry out any responsibility of the Secretary under this section or section 412 if—

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

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

(g) GRANDFATHERING OF EXISTING STATEWIDE PROGRAMS.—Any statewide individual asset-building program that is carried out in a manner consistent with the purposes of this title, that is established under State law as of the date of enactment of this Act, and that as of such date is operating with an annual State appropriation of not less than $1,000,000 in non-Federal funds, shall be deemed to meet the eligibility requirements of this subtitle, and the entity carrying out the program shall be deemed to be a qualified entity. The Secretary shall consider funding the statewide program as a demonstration project described in this subtitle. In considering the statewide program for funding, the Secretary shall review an application submitted by the entity carrying out such statewide program under this section, notwithstanding the preference requirements listed in subsection (d). Any program requirements under sections 407 through 411 that are inconsistent with State statutory requirements in effect on the date of enactment of this Act, governing such statewide program, shall not apply to the program.

SEC. 406. DEMONSTRATION AUTHORITY; ANNUAL GRANTS.

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

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

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

(2) $1,000,000.

SEC. 407. RESERVE FUND.

(a) ESTABLISHMENT.—A qualified entity under this title, other than a State or local government agency or a tribal government, shall establish a Reserve Fund that 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 from 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 skills) and information necessary to achieve economic self-sufficiency through activities requiring qualified expenses;

(B) provide deposits in accordance with section 410 for individuals selected by the qualified entity to participate in the demonstration project;

(C) administer the demonstration project; and

(D) provide the research organization evaluating the demonstration project under section 414 with such information with respect to the demonstration project as may be required for the evaluation.

(2) AUTHORITY TO INVEST FUNDS.—

(A) GUIDELINES.—The Secretary shall establish guidelines for investing amounts in the Reserve Fund established under subsection (a) in a manner that provides an appropriate balance between return, liquidity, and risk.

(B) INVESTMENT.—A qualified entity shall invest the amounts in its Reserve Fund that are not immediately needed to carry out the 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 406(b) shall be used by the qualified entity for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1), of which not less than 2 percent of the amounts shall be used by the qualified entity for the purposes described in paragraph (1)(D). If two or more qualified entities are jointly administering a project, no qualified entity shall use more than its proportional share for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1).

(d) UNUSED FEDERAL GRANT FUNDS TRANSFERRED TO THE SECRETARY WHEN PROJECT TERMINATES.—Notwithstanding subsection (c), upon the termination of any demonstration project authorized under this section, the qualified entity conducting the project shall transfer to the Secretary an amount equal to—

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

(2) a percentage equal to—

(A) the aggregate amount of grants made to the qualified entity under section 406(b); divided by

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

SEC. 408. ELIGIBILITY FOR PARTICIPATION.

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

(1) INCOME TEST.—The adjusted gross income of the household does not exceed the earned income amount described in section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household).

(2) NET WORTH TEST.—

(A) IN GENERAL.—The net worth of the household, as of the end of the calendar year preceding the determination of eligibility, does not exceed $10,000.

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

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

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

(C) EXCLUSIONS.—For purposes of determining the net worth of a household, a household's assets shall not be considered to include the primary dwelling unit and one motor vehicle owned by a member of the household.

(b) INDIVIDUALS UNABLE TO COMPLETE THE PROJECT.—The Secretary shall establish such regulations as are necessary to ensure compliance with this title if an individual participating in the demonstration project moves from the community in which the project is conducted or is otherwise unable to continue participating in that project, including regulations prohibiting future eligibility to participate in any other demonstration project conducted under this title.

SEC. 409. SELECTION OF INDIVIDUALS TO PARTICIPATE.

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

(1) that the qualified entity determines to be best suited to participate; and

(2) to whom the qualified entity will provide deposits in accordance with section 410.

SEC. 410. DEPOSITS BY QUALIFIED ENTITIES.

(a) IN GENERAL.—Not less than once every 3 months during each project year, each qualified entity under this title shall deposit in the individual development account of each individual participat-

ing in the project, or into a parallel account maintained by the qualified entity—

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

(2) from the grant made under section 406(b), an amount equal to the matching contribution made under paragraph (1); and

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

(b) LIMITATION ON DEPOSITS FOR AN INDIVIDUAL.—Not more than $2,000 from a grant made under section 406(b) shall be provided to any one individual over the course of the demonstration project.

(c) LIMITATION ON DEPOSITS FOR A HOUSEHOLD.—Not more than $4,000 from a grant made under section 406(b) shall be provided to any one household over the course of the demonstration project.

(d) WITHDRAWAL OF FUNDS.—The Secretary shall establish such guidelines as may be necessary to ensure that funds held in an individual development account are not withdrawn, except for one or more qualified expenses, or for an emergency withdrawal. Such guidelines shall include a requirement that a responsible official of the qualified entity conducting a project approve a withdrawal from such an account 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 this section to the Reserve Fund of the qualified entity, and use the funds to benefit other individuals participating in the demonstration project involved.

SEC. 411. LOCAL CONTROL OVER DEMONSTRATION PROJECTS.

A qualified entity under this title, other than a State or local government agency or a tribal government, shall, subject to the provisions of section 413, have sole authority over the administration of the project. The Secretary may prescribe only such regulations or guidelines with respect to demonstration projects conducted under this title as are necessary to ensure compliance with the approved applications and the requirements of this title.

SEC. 412. ANNUAL PROGRESS REPORTS.

(a) IN GENERAL.—Each qualified entity under this title shall prepare an annual report on the progress of the demonstration project. Each report shall include both program and participant in-

formation 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 configurations relating to peer support, structured planning exercises, mentoring, and case management) increased the rate and consistency of participation in the demonstration project and how such configurations varied among different populations or communities.

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

(b) SUBMISSION OF REPORTS.—The qualified entity shall submit each report required to be prepared under subsection (a) to—

(1) the Secretary; and

(2) the Treasurer (or equivalent official) of the State in which the project is conducted, if the State or a local government or a tribal government committed funds to the demonstration project.

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

SEC. 413. SANCTIONS.

(a) AUTHORITY TO TERMINATE DEMONSTRATION PROJECT.—If the Secretary determines that a qualified entity under this title is not operating a demonstration project in accordance with the entity's approved application under section 405 or the requirements of this title (and has not implemented any corrective recommendations directed by the Secretary), the Secretary shall terminate such entity's authority to conduct the demonstration project.

(b) ACTIONS REQUIRED UPON TERMINATION.—If the Secretary terminates the authority to conduct a demonstration project, the Secretary—

(1) shall suspend the demonstration project;

(2) shall take control of the Reserve Fund established pursuant to section 407;

(3) shall make every effort to identify another qualified entity (or entities) willing and able to conduct the project in accordance with the approved application (or, if modification is

necessary to incorporate the recommendations, the application as modified) and the requirements of this title;

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

(A) authorize the entity (or entities) to conduct the project in accordance with the approved application (or, if modification is necessary to incorporate the recommendations, the application as modified) and the requirements of this title;

(B) transfer to the entity (or entities) control over the Reserve Fund established pursuant to section 407; and

(C) consider, for purposes of this title—

(i) such other entity (or entities) to be the qualified entity (or entities) originally authorized to conduct the demonstration project; and

(ii) the date of such authorization to be the date of the original authorization; and

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

(A) terminate the project; and

(B) from the amount remaining in the Reserve Fund established as part of the project, remit to each source that provided funds under section 405(c)(4) to the entity originally authorized to conduct the project, an amount that bears the same ratio to the amount so remaining as the amount provided from the source under section 405(c)(4) bears to the amount provided from all such sources under that section.

SEC. 414. EVALUATIONS.

(a) IN GENERAL.—Not later than 10 months after the date of enactment of this title, the Secretary shall enter into a contract with an independent research organization to evaluate, the demonstration projects conducted under this title, individually and as a group, including evaluating all qualified entities participating in and sources providing funds for the demonstration projects conducted under this title.

(b) FACTORS TO EVALUATE.—In evaluating any demonstration project conducted under this title, the research organization shall address the following factors:

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

(2) The savings rates of individuals in the demonstration project based on demographic characteristics including gender, age, family size, race or ethnic background, and income.

(3) The economic, civic, psychological, and social effects of asset accumulation, and how such effects vary among different populations or communities.

(4) The effects of individual development accounts on savings rates, homeownership, level of postsecondary education attained, and self-employment, and how such effects vary among different populations or communities.

(5) The potential financial returns to the Federal Government and to other public sector and private sector investors in

individual development accounts over a 5-year and 10-year period of time.

(6) The lessons to be learned from the demonstration projects conducted under this title and if a permanent program of individual development accounts should be established.

(7) Such other factors as may be prescribed by the Secretary.

(c) METHODOLOGICAL REQUIREMENTS.—In evaluating any demonstration project conducted under this title, the research organization shall—

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

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

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

(d) REPORTS BY THE SECRETARY.—

(1) INTERIM REPORTS.—Not later than 90 days after the end of the calendar year in which the Secretary first authorizes a qualified entity to conduct a demonstration project under this title, and every 12 months thereafter until all demonstration projects conducted under this title are completed, the Secretary shall submit to Congress an interim report setting forth the results of the reports submitted pursuant to section 412(b).

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

(e) EVALUATION EXPENSES.—The Secretary shall expend 2 percent of the amount appropriated under section 416 for a fiscal year, to carry out the objectives of this section.

SEC. 415. TREATMENT OF FUNDS.

Of the funds deposited in individual development accounts for eligible individuals, only the funds deposited by the individuals (including interest accruing on those funds) may be considered to be the income, assets, or resources of the individuals, for purposes of determining eligibility for, or the amount of assistance furnished under, any Federal or federally assisted program based on need.

SEC. 416. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated to carry out this title, $25,000,000 for each of fiscal years 1999, 2000, 2001, 2002, and 2003, to remain available until expended.

And the House agree to the same.

BILL GOODLING,
MIKE CASTLE,
MARK SOUDER,
BILL CLAY,
MATTHEW G. MARTINEZ,
Managers on the Part of the House.

JIM JEFFORDS,
DAN COATS,
JUDD GREGG,
TED KENNEDY,
CHRIS DODD,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 2206) to amend the Head Start Act, the Low-Income Home Energy Assistance Act of 1981, and the Community Services Block Grant Act to reauthorize and make improvements to those Acts, to establish demonstration projects that provide an opportunity for persons with limited means to accumulate assets, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

TITLE I—HEAD START

AUTHORIZATION LEVELS

The Senate bill authorizes Head Start at such sums as may be necessary for FY 1999 through FY 2003.

The House amendment authorizes Head Start at $4.6 billion in FY 1999 and such sums as may be necessary for FY 2000 through FY 2003.

The Conference Agreement maintains the Senate language.

FREELY ASSOCIATED STATES

The Senate bill continues eligibility for the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau).

The House amendment requires that payments to the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau) be made on a competitive basis based on recommendations by the Pacific Region Educational Laboratory to the Freely Associated States, Guam, American Samoa, and the Northern Mariana Islands and terminates these funds on September 30, 2001.

The Conference Agreement continues eligibility for the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia and the Republic of Palau) through FY 2001. If the legislation implementing the Compact of Free Association has not been enacted, the conference agreement extends eligibility for the Freely Associated States for an additional year until September 30, 2002. Eligibility for the Freely Associated States terminates on September 30, 2002.

FAMILY LITERACY DEMONSTRATION

The Senate bill does not contain a family literacy demonstration.

The House amendment sets aside $5 million for up to 100 Head Start family literacy demonstration projects across the country. Under the House amendment, 100 Head Start grantees would receive intensive training and technical assistance so that they might become models for replication, in the area of family literacy, for other Head Start programs. The House amendment also requires the Secretary to conduct research and evaluate successful family literacy models.

The Conference Agreement requires the Secretary to use at least $3 million of the technical assistance set-aside to provide technical assistance to Head Start grantees currently providing family literacy services, in order to improve the quality of family literacy services and for those grantees to serve as family literacy resources to other grantees and service providers who wish to implement family literacy programs. The agreement also requires the Secretary to evaluate the effectiveness and impact of family literacy services in Head Start.

QUALITY AND EXPANSION RATIO

The Senate bill maintains current law on the use of new funds, money appropriated over the prior year's appropriation. The Senate bill directs the Secretary to reserve 75% of all new funds to be used for expansion purposes and 25% of all new money to be used for quality purposes (increasing salaries and training).

The House amendment increases the percentage of new funds reserved for quality in the initial years of the authorization and directs the Secretary to reserve 10% of new funds to be used either for quality or expansion purposes. Specifically, the amendment provides 65% for quality, 25% for expansion and 10% for quality or expansion in the first 2 years of the authorization; 45% for quality, 45% for expansion and 10% for quality or expansion in FY 2001 and FY 2002; and 25% for quality, 65% for expansion and 10% for quality or expansion in the final year of the authorization.

The Conference Agreement provides the following quality/expansion ratios: in FY 1999, 60% for quality, 40% for expansion; in FY 2000, 50% for quality, 50% for expansion, in FY 2001, 47.5% for quality, 52.5% for expansion; in FY 2002 35% for quality, 65% for expansion; and in FY 2003, 25% for quality, 75% for expansion. The Conferees believe it is prudent to dedicate additional resources to quality to improve the services to children. Furthermore, the Conferees believe that an initial increase in quality dollars is necessary to assist grantees in meeting the new educational performance standards and professional development requirements.

CONSTRUCTION

The Senate bill permits quality money to be used for minor construction and renovation for the purposes of improving facilities necessary to expand the availability or to enhance the quality of Head Start programs.

The House amendment specifically prohibits quality dollars from being used for construction or renovation, but permits expansion dollars to be used for such purposes.

The Conference Agreement generally follows the House language. The agreement deletes the reference to minor construction

and renovation under both quality and expansion. The Conferees believe grantees should use funds provided under the basic grant to fund minor renovations and construction, rather than using quality or expansion dollars for such purposes. The Conferees encourage the grantees to use funds provided under the basic grant for minor renovations and construction and to reserve quality dollars to increase salaries and training. However,the Conferees recognize that there may be very limited circumstances when local grantees may need to use quality funds for minor renovations and construction in order to comply with health and safety standards. In such cases, the Conferees recognize the Secretary has authority to authorize the use of quality funds for such purposes.

TRANSPORTATION

The Senate bill deletes the reference to transportation under the quality section.

The House amendment is identical to the Senate bill.

The Conference Agreement follows both the House and Senate language. The Conferees believe that grantees should use their basic grant funds to cover transportation costs. However, the Conferees recognize that under very limited circumstances local grantees may need to use quality dollars to cover transportation in order to enable children to participate in a Head Start program or to ensure that the transportation provided by the Head Start grantees meet safety standards. In such cases, the Conferees recognize the Secretary has authority to authorize the use of quality funds for such purposes.

FORMULA CHANGE

The Senate bill maintains the current law formula, which has a 1981 hold harmless with any money above the 1981 appropriation allocated to the States based ⅔ on the number of poor children under the age of 6 and ⅓ on the number of children under age 18 from Aid for Families with Dependent Children (AFDC) families.

The House amendment puts in place a 1998 hold harmless. All new money will be allocated to States based on the State's share of children under the age of 5 from families below the poverty line. The Department of Health and Human Services is directed to use the most recent data available on the number of poor children.

The Conference Agreement adopts the House formula.

EARLY HEAD START

The Senate bill authorizes the following set-aside levels for Early Head Start: 7.5% in FY 1999, 8% in FY 2000, 9% in FY 2001, 10% in FY 2002, and 10% in FY 2003.

The House amendment authorizes the following set-aside levels for Early Head Start: 7.5% in FY 1999, 8% in FY 2000, 8.5% in FY 2001, and not less than 8.5% but not more than 10% in FY 2002 and FY 2003. The increased authorizations in FY 2002 and FY 2003 are dependent on receipt by the House Committee on Education and the Workforce and the Senate Committee on Labor and Human Resources of a report from the Department of Health and Human Services on the quality and impact of Early Head Start.

The House amendment also stipulates that if the Department fails to provide the Committees with a report on Early Head Start, then the authorization levels for FY 2002 and FY 2003 shall remain at 8.5%.

The Conference Agreement authorizes the following set-aside levels for Early Head Start: 7.5% in FY 1999, 8% in FY 2000, 9% in FY 2001, 10% in FY 2002, and 10% in FY 2003. The Conference Agreement stipulates that the Secretary is required to use the portion of FY 2002 Early Head Start funding, in excess of that set-aside in FY 2001, to make necessary quality improvements, if Congress has not received an interim report on the preliminary findings of the Early Head Start impact study in 2001. If the final report contains substantial deficiencies in quality or if the final report is not released in 2002, the Secretary is required to use the portion of FY 2003 Early Head Start funding, in excess of that set-aside in FY 2002, to make necessary quality improvements. The Conference report sets aside 5–10% of Early Head Start spending to create a training and technical assistance fund to expand and enhance program support at the Federal, regional, and local levels, as delineated in the Senate report.

GOVERNORS CONSULTATION AND DESIGNATION OF AGENCIES

The Senate bill requires the Secretary to consult with Governors in the designation of Head Start agencies.

The House amendment requires the Secretary to consult only with Governors of those States that contribute State dollars to Head Start.

The Conference Agreement maintains the House language.

PERFORMANCE MEASURES

The Senate bill does not contain education performance measures.

The House amendment contains 4 education performance measures to measure local grantee performance. The measures require grantees to ensure that children: (1) know that letters of the alphabet are a special category of visual graphics that can be individually named; (2) recognize a word as a unit of print; (3) identify at least ten letters of the alphabet; and (4) associate sounds with written words. The House amendment also requires the Secretary to develop and implement additional performance measures by January 1, 1999 and permits local grantees to develop their own performance measures.

The Conference Agreement follows the House amendment, but changes the date by which the Secretary must implement additional performance measures from January 1 to July 1, 1999.

CHILD SUPPORT REFERRAL

The Senate bill contains no comparable provision.

The House amendment requires Head Start grantees to inform custodial parents in single-parent families that participate in Head Start about the availability of child support services, and to refer such individuals to State and local government child support offices.

The Conference Agreement includes the House provision on child support referral.

COORDINATION WITH ELEMENTARY SCHOOLS

The Senate bill has no comparable language.

The House amendment requires Head Start programs to coordinate and link its services to the educational services provided by local educational agencies in which Head Start children will enroll.

The Conference Agreement maintains the House language. The Conferees believe that it is important for a Head Start program to link and coordinate its services with those educational services that will be provided to children once they graduate and enter elementary school. The Conferees believe that the positive educational experiences gained by children in Head Start programs can be built upon when such children enter elementary school and such coordination between Head Start and local educational agencies is essential to accomplishing this goal.

DESIGNATION OF HEAD START AGENCIES

The Senate bill permits for-profit entities to be designated as Head Start grantees. The Senate bill also permits the Secretary (only in cases where the for-profit agency and nonprofit agency submit applications of equivalent quality) to give a priority to the nonprofit agency.

The House amendment has no comparable language.

The Conference Agreement follows the Senate bill but also adds the following language: "In selecting from among qualified applicants for designation as a Head Start agency, the Secretary shall give preference to applicants which have demonstrated capacity in providing comprehensive early childhood services to children and their families." The Conferees hope that expanding the universe of organizations eligible to compete to run Head Start programs will result in stronger applications and higher quality services to children and their families.

As a result of the new educational performance standards and measures, the Conferees expect the Secretary will defund poor performing grantees—those grantees that fail to meet the performance standards or measures. Given that the Secretary will have to designate new agencies, in cases where a Head Start grantee has been defunded or in cases where an area is underserved, the Conferees urge the Secretary, to place the highest priority on those applicants who have experience in providing quality comprehensive early childhood services.

DRUG COUNSELING

The Senate bill has no comparable language.

The House amendment requires Head Start agencies to offer parents of participating children substance abuse counseling (either directly or through referral to local entities) including information on drug-exposed infants and fetal alcohol syndrome.

The Conference Agreement maintains the House language. The Conferees believe that in encouraging Head Start providers to offer

parents of participating children substance abuse counseling, including information on drug exposed infants and fetal alcohol syndrome, parents will be empowered to make better lifestyle decisions that improve the health and safety of their children.

INCOME ELIGIBILITY

The Senate bill has no comparable language.

The House amendment permits individual programs to have up to 25% of total enrollment over the poverty level, but stipulates that the income of participating families cannot exceed 140% of the poverty level. Furthermore, the program must document the need for such services from a community needs assessment, and it must show reasonable efforts to recruit children of families with incomes below the poverty level. The House amendment also permits grantees to institute a sliding fee scale, comparable to the sliding fee scale established under the Child Care Development Block Grant, for families above the poverty line.

The Conference Agreement maintains the Senate position.

STAFF QUALIFICATIONS

The Senate bill has no comparable language.

The House amendment requires that the majority of Head Start classroom teachers in each center-based program have an Associate or Bachelor degree in early childhood education by 2003. In addition, the House amendment stipulates that programs will have to develop an assessment to be used in hiring or evaluating classroom teachers.

The Conference Agreement requires that the majority of Head Start classroom teachers nationwide have an Associate or Bachelor degree in either early childhood education or a degree in a field related to early childhood education with experience in teaching preschool children by 2003. The Conference Agreement maintains the House language requiring teacher assessments.

TITLE II—THE COMMUNITY SERVICES BLOCK GRANT

PURPOSES AND GOALS

The Senate 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.

The House amendment generally follows the Senate bill, but stresses a more active role for private, religious, charitable, and neighborhood-based organizations in the provision of services.

The Conference Agreement merges the provisions of the Senate and House language.

AUTHORIZATION

The Senate bill provides an authorization for the Community Services Block Grant (CSBG) for 5 years through the year 2003. The Senate bill authorizes funding for CSBG at $625 million in FY

1999, and such sums as may be necessary for FY 2000 through FY 2003.

The House amendment provides an authorization for the Community Services Block Grant (CSBG) for 5 years through the year 2003. The House amendment authorizes funding for CSBG at $535 million in FY 1999, and such sums as may be necessary for FY 2000 through FY 2003.

The Conference Agreement provides an authorization for the Community Services Block Grant (CSBG) for 5 years through the year 2003. The Agreement authorizes funding for CSBG at such sums as may be necessary for fiscal years 1999 through 2003.

RESERVATION FOR TRAINING AND TECHNICAL ASSISTANCE

The Senate bill provides not less than ½ of 1% and not more than 1% for training and technical assistance.

The House amendment provides 1½% for training and technical assistance, and for other activities to be carried out by the Secretary of the Department of Health and Human Services such as monitoring, evaluation, and corrective action. The House amendment also requires that ½ of such funds be distributed directly to local eligible entities or to statewide organizations whose membership is composed of eligible entities to carry out technical assistance.

The Conference Agreement follows the House language providing 1½% for training and technical assistance and other activities to be carried out by the Secretary of the Department of Health and Human Services. The Agreement also requires that ½ of such amount be provided directly to local eligible entities or to statewide or local organizations or associations with demonstrated expertise in providing training to individuals and organizations on methods of effectively addressing the needs of low income families and communities, to carry out technical assistance.

RESERVATION FOR DISCRETIONARY PROGRAMS

The Senate bill sets aside 9% of CSBG funds for discretionary programs.

The House amendment sets aside "up to 9%" of CSBG funds for discretionary programs.

The Conference Agreement maintains the Senate language, setting aside 9% of CSBG funds for discretionary programs.

FREELY ASSOCIATED STATES

The Senate bill continues eligibility for the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau).

The House amendment requires that payments to the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau) be made on a competitive basis based on recommendations by the Pacific Region Educational Laboratory to the Federated States of Micronesia, Guam, American Samoa, and the Northern Mariana Islands and terminates these funds on September 30, 2001.

The Conference Agreement returns to current law and continues the ineligibility of the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau) for CSBG.

ALLOTMENT OF ADDITIONAL FUNDS

The Senate bill contains no comparable provision.

The House amendment establishes a new formula for the allotment of CSBG funds that are in excess of funds appropriated in FY 1999.

The Conference Agreement maintains the Senate language and does not change the formula for the allotment of funds in the CSBG program.

STATE CHARITY TAX PROVISION

The Senate bill has no comparable provision.

The House amendment allows States to use up to 10% of their State allotment (from their State-held funds) to offset State charity tax credits for the alleviation of poverty.

The Conference Agreement includes the House State charity tax credit, but specifies that administrative or start-up costs of such a tax credit program may only come from the State's administrative account (limited to up to 5% of the State's CSBG allotment), if CSBG funds are used for such purposes. The Agreement also includes language clarifying that CSBG funds may not be used to offset tax credits for legal services or educational vouchers.

ADDITIONAL USES OF FUNDS

The Senate bill has no comparable provisions.

The House amendment contains several new allowable uses of funds as described in the State plan, including: literacy (including family literacy) initiatives; youth development initiatives (which may include after-school child care); community policing initiatives; and fatherhood and other initiatives that encourage parental responsibility.

The Conference Agreement generally follows the House amendment regarding additional uses of funds, and adds effective parenting, public and private grassroots partnerships, and youth intervention initiatives as allowable uses of funds.

DESIGNATION OF NEW ELIGIBLE ENTITIES

The Senate bill provides that if 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 from, and designate as an eligible agency: one or more private non-profit organizations geographically located in the unserved area; or private non-profit organizations (which may include eligible entities) located in an area contiguous to, or within reasonable proximity of, the unserved area that are already providing related services in the unserved area. The State may give priority to existing eligible entities already providing services within the community.

The House amendment provides that for any geographic area in a State that 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 located in an area contiguous to, or within reasonable proximity of, the unserved area that already provides related services in the unserved area; or another private nonprofit organization geographically located in the unserved area that is capable of providing a broad range of services designed to eliminate poverty and foster self-sufficiency. In any such designation, the organization must be of demonstrated effectiveness in meeting the goals and purposes of the Act. The House amendment also provides that States may give priority to existing eligible entities already providing services within the community.

The Conference Agreement provides that States may designate as new eligible entities: a private nonprofit organization (which may include an eligible entity) geographically located in the unserved area that is capable of providing a broad range of services designed to eliminate poverty and foster self-sufficiency; or a private nonprofit eligible entity located in an area contiguous to, or within reasonable proximity of, the unserved area that already provides related services in the unserved area. The Agreement retains language from both bills that in any case the organization must be of demonstrated effectiveness in meeting the goals and purposes of the Act. The agreement also retains language in both bills that allows States to give priority to existing eligible entities already providing services within the community. It is the intent of the Conferees that States shall give consideration to using existing, private nonprofit eligible entities to provide CSBG services in unserved areas. Utilizing existing eligible entities will effectively leverage CSBG resources and expertise and ensure continuity in the program.

TRIPARTITE BOARDS

The Senate bill strengthens the role of local tripartite boards in the design and implementation of all local CSBG programs whether administered by public or private eligible entities. The bill maintains the same representation requirements for membership on tripartite boards, but requires that all members of such boards reside in the community being served.

The House amendment generally follows the Senate bill pertaining to the role of tripartite boards. However, the House amendment only requires that members of such boards who represent low-income individuals and families in the neighborhood served, must reside in neighborhood served.

The Conference Agreement maintains the House language in that the residence requirement pertains only to the individuals on tripartite boards who represent low-income individuals and families in the neighborhoods served. However Conferees strongly encourage that all members of local tripartite boards will reside or have interests (such as the conduct of business) in the neighborhood served or in the broader community.

ACCOUNTABILITY

The Senate bill requires that the Department of Health and Human Services work with States and local eligible entities to es-

tablish 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 bill further requires that each State and eligible entity participate in such a performance measurement system by October 1, 2002.

The House amendment generally follows the Senate bill with to major exceptions. First, the House amendment clarifies that the role of the Department of Health and Human Services is to facilitate (not establish) the performance measurement system. Second, the House amendment requires that States and local eligible entities must participate in such a performance measurement system by October 1, 2001.

The Conference Agreement maintains the House language. Conferees see the role of the Department of Health and Human Services as important in facilitating development of the performance measurement system. Conferees expect that such efforts will build on work already begun in development of the Results-Oriented Management and Accountability System (ROMA). Such a performance measurement system is intended to allow States and local communities to determine their own priorities and establish performance objectives accordingly.

ROLE OF RELIGIOUS ORGANIZATIONS

The Senate bill prescribes the circumstances under which religious organizations may receive grants and contracts under the CSBG 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. Similar language is contained in the House amendment.

The Senate bill includes several additional provisions, compared to the House amendment, that relate to employment discrimination; the role of intermediate organizations; and a general provision on faith-based character and independence. The employment discrimination provision allows religious providers that provide assistance under CSBG, to require that employees adhere to the religious tenets and teachings of such organization. It also allows religious providers to require employees not to use drugs or alcohol (on or off the job). The Senate bill further provides that intermediate organizations would also be required to give equitable treatment to religious providers. The Senate bill also contains a general provision providing that religious organizations that pro-

vide assistance under CSBG shall retain their faith-based character.

The House amendment generally follows the Senate bill with the exception of the provisions related to employment; the role of intermediate organizations; and the general provision on faith-based character.

The Conference Agreement generally follows the Senate bill, except for the provision related to employment. The Conference Agreement clarifies that a religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 regarding employment practices shall not be affected by its participation in, or receipt of funds from the Community Services Block Grant.

FUNDING TERMINATION OR REDUCTIONS

The Senate bill gives the Secretary up to 60 days to complete a review when a State decertifies or defunds a local eligible entity. The Senate bill contains no comparable provision to the House amendment which allows the Secretary to provide direct assistance to a local eligible entity that has been decertified in violation of the appeal process established in the law.

The House amendment gives the Secretary up to 120 days to complete a review when a State decertifies or defunds a local eligible entity. The House amendment provides the Secretary with authority to provide direct assistance to a local eligible entity that has been decertified in violation of the appeal process established in the statute.

The Conference Agreement gives the Secretary up to 90 days to complete a review when a State decertifies or defunds a local eligible entity, upon receipt of all necessary materials from the State. The Agreement generally follows the House amendment regarding the Secretary's authority to provide direct assistance to eligible entities when a State violates the appeal process established in the statute.

COMMUNITY FOOD AND NUTRITION PROGRAM

The Senate bill authorizes the Community Food and Nutrition Program at $25 million in FY 1999, and such sums through FY 2003.

The House amendment authorizes the Community Food and Nutrition Program at $5 million in FY 1999, and such sums through FY 2003.

The Conference Agreement authorizes the Community Food and Nutrition Program at such sums in FY 1999 through FY 2003.

DRUG TESTING

The Senate bill has no comparable provision.

The House amendment contains a provision clarifying that States are not prohibited from testing individuals receiving assistance under CSBG for controlled substances, or from sanctioning individuals who test positive for controlled substances.

The Conference Agreement includes the clarification that States are not prohibited from testing individuals receiving assistance under CSBG for controlled substances. However, the Agree-

ment further stipulates that if States do test CSBG program participants for controlled substances, and such individuals test positive, the State must inform such individuals about appropriate treatment or rehabilitation services, and refer such individuals to such services.

CHILD SUPPORT REFERRAL

The Senate bill contains no comparable provision.

The House amendment requires local eligible entities to inform custodial parents in single-parent families that participate in CSBG programs about the availability of child support services, and to refer such individuals to State and local government child support offices.

The Conference Agreement includes the House provision on child support referral.

TITLE III—LOW INCOME HOME ENERGY ASSISTANCE PROGRAM (LIHEAP)

AUTHORIZATION

The Senate bill authorizes LIHEAP for 5 years at $2 billion a year for fiscal years 2000 through 2004.

The House amendment authorizes LIHEAP for 2 years at $1.1 billion (the FY 1998 appropriated level) in FY 2000 and such sums for FY 2001.

The Conference Agreement authorizes LIHEAP for 5 years. The Agreement provides an authorization of such sums as necessary in FY 2000 and FY 2001, and $2 billion in FY 2002 through FY 2004. Fiscal year 1999 continues to be authorized at the $2 billion level.

LEVERAGING

The Senate bill extends the authorization of the leveraging program for 5 years, but caps funding at $30 million until funds reach $1.4 billion, at which time the cap is increased to $50 million.

The House amendment extends the authorization of the leveraging program for 2 years, at $50 million in both FY 2000 and FY 2001.

The Conference Agreement maintains the Senate language.

NATURAL DISASTERS AND OTHER EMERGENCIES

The Senate bill and House amendment both include language to clarify the criteria by which the President can release LIHEAP funds during a natural disaster or emergency.

The Conference Agreement adheres to language on natural disasters and emergencies contained in the Senate report on S. 2206. In determining whether to recommend a release of emergency funds to States, the Conferees intend that the Secretary will take into consideration requests from Members of Congress in making such releases.

EMPHASIS ON LOW-INCOME HOUSEHOLDS FOR WEATHERIZATION SERVICES

The Senate bill contains no comparable provision.

The House amendment places an emphasis on serving low-income households that pay a high proportion of their household income for home energy costs in the allocation of weatherization services.

The Conference Agreement maintains the House language.

TECHNICAL ASSISTANCE

The Senate bill sets aside an additional $50,000 for the Secretary of Health and Human Services for technical assistance, training, and on-site compliance reviews.

The House amendment contains no comparable provision.

The Conference Agreement maintains the Senate language.

FREELY ASSOCIATED STATES

The Senate bill continues eligibility for the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau).

The House amendment terminates eligibility for the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau).

The Conference Agreement returns to current law and continues the ineligibility of the Freely Associated States (the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau) for LIHEAP.

TITLE IV—INDIVIDUAL DEVELOPMENT ACCOUNTS (IDAS)

DESIGNATION OF IDAS AS A SEPARATE TITLE—DISTINCT FROM CSBG

The Senate bill establishes the IDA demonstration as a separate title, distinct from CSBG.

The House amendment establishes the IDA demonstration as a chapter in CSBG.

The Conference Agreement maintains the Senate language and establishes the IDA demonstration as a separate title. Individual Development Accounts (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 Conferees believe 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, open-

ing their own small businesses, going to college, owning a home, and bequeathing a better future for their children.

AUTHORIZATION

The Senate bill authorizes the IDA demonstration for 5 years at $25 million per year.

The House amendment authorizes the IDA demonstration for 4 years at $25 million per year.

The Conference Agreement maintains the Senate language and authorizes the IDA demonstration for 5 years at $25 million per year.

PROJECT YEARS

The Senate bill limits project years for IDA demonstrations to 4 years.

The House amendment limits project years for IDA demonstrations to 5 years.

The Conference Agreement maintains the House language and limits project years for IDA demonstrations to 5 years.

GRANDFATHERING

The Senate bill contains no comparable provision.

The House amendment makes Statewide IDA programs that were established by State statute and funded with State funds in excess of $1 million by the date of enactment of this Act eligible to compete for IDA demonstration grants, and exempts them from certain requirements of this title that are directly in conflict with their previously established programs.

The Conference Agreement maintains the House language.

BILL GOODLING,
MIKE CASTLE,
MARK SOUDER,
BILL CLAY,
MATTHEW G. MARTINEZ,
Managers on the Part of the House.

JIM JEFFORDS,
DAN COATS,
JUDD GREGG,
TED KENNEDY,
CHRIS DODD,
Managers on the Part of the Senate.

○