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95th Congress
2d Session

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REPORT ON THE PROGRAMS AUTHORIZED UNDER THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED

PREPARED FOR THE

SUBCOMMITTEE ON EMPLOYMENT, POVERTY, AND MIGRATORY LABOR

OF THE

COMMITTEE ON HUMAN RESOURCES
UNITED STATES SENATE

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LETTER OF TRANSMITTAL

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United States Senate

COMMITTEE ON HUMAN RESOURCES

WASHINGTON, D.C. 20510

May 1, 1978

Honorable Harrison A. Williams, Jr.
Chairman
Senate Committee on Human Resources
Washington, D. C. 20510

Dear Mr. Chairman:

During the 2nd Session of the 95th Congress, the Subcommittee on Employment, Poverty, and Migratory Labor will be involved in an extensive examination and re-evaluation of the programs conducted under the Economic Opportunity Act of 1964, as amended, with a goal of renewal of the authorization for programs due to expire at the end of the current fiscal year.

Because of the widespread interest in these various programs and the extensive work to be conducted by the Subcommittee, a staff report on the programs authorized under the Economic Opportunity Act has been prepared. The report was compiled by Mr. Lee J. Foley, Ms. Lori L. Hansen, and Mr. Scott K. Ginsburg, all of whom are present or former professional staff members with the Subcommittee. The report includes a history of and current status of the programs authorized under the Economic Opportunity Act, a summary of the oversight and investigative reports concerning these programs, and a review of the reports issued concerning the Headstart funding formula. Nothing in this staff report reflects the views of the members of the Subcommittee or the Chairman.

This staff report and its recommendations will be most helpful in Committee deliberations. Accordingly, I am enclosing herewith a copy of the staff report and ask authorization that a Committee Print be issued.

Sincerely yours,

Gaylord Nelson

GAYLORD NELSON, Chairman
Subcommittee on Employment, Poverty,
and Migratory Labor

GN:lhw

Enclosure

FOREWORD

The Economic Opportunity Act of 1964 and subsequent amendments to this statute generated some of this Nation's most successful programs to combat the continuing problems of poverty. Such programs as community action, weatherization of houses, community food and nutrition, Headstart, Follow Through, Senior Opportunities and Services, and Legal Services, as well as others, have significantly aided in improving the lives of poor people and communities. The Community Services Administration, formerly the Office of Economic Opportunity, has been the Federal agency responsible for administering most of these programs.

Rewarding gains have been made in the "war against povery" under this agency's program initiatives, despite a tumultuous history that included an attempted dismantlement of the poverty agency by the Nixon administration in 1973. At the recommendation of this committee, an independent agency was created in an effort to repair the damage to the agency and its programs. Poor administration and coordination, personnel dissatisfaction, and other such problems had seriously undermined the basic operation of the agency. During the past 2 years, reports issued by congressional committees and the General Accounting Office have underscored the pressing need to improve the administration and management of the Community Services Administration.

Under the new Director for CSA, Ms. Graciela Olivarez, major corrective actions have been undertaken to improve and strengthen the interdepartmental coordination and program and fiscal management of the agency. It is clear that these corrective actions must continue if the agency is to effectively and efficiently combat the multifaceted problems of poverty.

This report reviews and summarizes the history and current status of the programs authorized under the Economic Opportunity Act, as well as the recent reports by governmental agencies respecting the operation of the Community Services Administration. The views expressed are those of the staff of the Subcommittee on Employment, Poverty, and Migratory Labor, and are published for the information of the committee, the Congress, and other interested citizens. The report is a useful aid for determining what further actions must be taken to improve the operation of CSA and enable the agency to best marshall its resources to eliminate the causes and consequences of poverty.

HARRISON A. WILLIAMS, JR.,
Chairman, Committee on Human Resources.

PREFACE

In the past 2 years, congressional committee reports and reports issued by the General Accounting Office have raised concerns about the administration and management of the poverty programs by the Community Services Administration (CSA). While former President Nixon attempted to dismantle CSA/OEO, not all of the problems which have been brought to the Subcommittee's attention can be attributed to the actions of previous administrations. As a matter of fact, these reports have drawn our attention to numerous program failures and abuses of Federal funds which have not been aggressively pursued by CSA.

Although CSA has begun to address these problems under the guidance of its present Director, Graciéla Olivarez, the Subcommittee has been seeking answers to questions about the agency's lingering organizational and program problems. These past and continuing problems must be resolved if CSA is to resume its prominent role within the Federal structure as the agency designated to advocate and serve the needs of the poor.

This staff report reviews the programs authorized by the Economic Opportunity Act of 1964, as amended. It also provides an overview of the reports which have been issued by the General Accounting Office and the congressional committees, as well as the current status of the various poverty programs. The staff report indicates that while CSA now is moving in the right direction, further consideration needs to be given as to the future direction of the agency.

In my judgment, the agency should focus its future efforts and resources in three important areas which can help make better use of the available resources:

1. Providing an information source and clearinghouse on identified needs and problems of poor people. CSA has a network of nearly 900 local grantees which serve approximately two-thirds of the Nation's poor. Many of these grantees have developed sophisticated mechanisms for collection of information about needs and services. In Wisconsin, for example, the community action agencies (CAA's) are presently demonstrating an innnovative Outreach Management Information System and will soon begin to pilot a comprehensive program which will provide outreach services and collect information for major Federal categorical human services programs. These systems, and others like them across the country, have been of great assistance to CAA boards and State and local governments in planning programs and services for low-income people. The same kind and quality of information is clearly needed by Federal departments and agencies, and by the Congress.

2. Becoming a center of innovative demonstrations which can be

shown to be duplicable and can begin to answer the difficult questions of how to limit the causes and effects of poverty. This will take a strong commitment on the part of CSA and the executive branch of Government. Successful innovation is a long and tedious process requiring extensive research, demonstration, and replication.

For example, a worthwhile demonstration could be carried out combining the environmental action authority under section 222(a)(10) of the Economic Opportunity Act with the Department of Labor's Public Service Employment positions to create an Environmental Service Corps. Such a program could fulfill the human service need of employment and career development for low- and moderate-income young people by training and educating professionals and paraprofessionals in the environmental sciences. It would also assist in our Nation's effort to provide a safe, clean, and ecologically sound environment in which all Americans can live and work. This program could be integrated with the programs and services of the Departments of Energy and the Interior. Other demonstration programs emphasizing the relationship between improving job skills, training and employment opportunities, and breaking the cycle of poverty also ought to be given special attention.

3. Becoming a visible and effective advocate for the interests of poor people at all levels of government and society. CSA is the only Federal agency charged with responsibility for representing and advocating the needs of low-income people. The State Offices of Economic Opportunity and the CAA's have the same responsibility at the State and local levels. With the possible exception of the CAA's, this responsibility has not been adequately carried out in the last 8 years. It is essential for CSA to begin restoring its own advocacy capabilities as well as those of State offices and Community Action Agencies.

Although I have not discussed the provision of services among these priorities, it is important at certain times, in particular kinds of programs and in some communities, for CAA's to be primary service providers. It is essential, in my judgment, for CAA's to continue to provide critical outreach services, which have met with great success in the past. However, CAA's should not undertake to be duplicative service providers in our local communities. Limited Local Initiative funds can be applied to many other problems rather than duplicating or competing with the services of State and local social services agencies.

The Senate Subcommittee on Employment, Poverty, and Migratory Labor held hearings on November 21, 1977, and March 13 and 14, 1978, on the various provisions of the Economic Opportunity Act, including Community Action, Community Economic Development, Migrant and Native American Programs, Headstart and Follow Through, Energy Conservation and Weatherization, and Senior Opportunities and Services.

At these hearings, a number of witnesses provided valuable testimony on the unfulfilled potential of each of these programs. For example, the Headstart program is now only able to provide educational, health, nutritional and social services to approximately 20 percent of the eligible poverty children in the country. This program

offers great potential for child development services to be provided early in a child's life which will better equip low-income children to have successful and positive experiences in school, family life and society.

The Follow Through program provides similar preventive and developmental services to children in grades kindergarten through three. Follow Through has generated much parental involvement in communities where it operates. As a result, many low-income parents have become actively involved in their child's education and, at the same time, have endeavored to improve their own education and employment opportunities.

There are many areas of the country, primarily rural, that are not served by a community action agency. Extension of community action to such areas would provide low-income persons access to health and nutrition services, employment programs, energy and weatherization activities, services for seniors, and many other services that local communities determine are needed by its citizens. In addition, low-income persons would be afforded an opportunity to work together to improve their community and the lives of the people living there.

Community development corporations offer the potential for many severely economically disadvantaged communities to plan and implement comprehensive economic development programs which will produce jobs, increased income, ownership opportunities for community residents, reduce dependency, and improve the living environment of such communities.

All of these programs, and others which I have not cited here, offer great potential for assisting the poor and low-income communities to help themselves improve both their economic and social circumstances. There is a great need to have this potential realized.

It is, therefore, the responsibility of Congress, in conjunction with the support of the administration and the American public, to see that the poverty programs realize the maximum degree of success possible. The reauthorization of the poverty programs this year provides a good opportunity to accomplish this.

GAYLORD NELSON,
Chairman, Subcommittee on Employment, Poverty, and Migratory Labor.

STAFF REPORT ON THE PROGRAMS AUTHORIZED UNDER THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED

PART I: HISTORY OF THE DEVELOPMENT OF THE ANTI-POVERTY PROGRAMS AND STATUS REPORT ON PROGRAMS PRESENTLY AUTHORIZED BY THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED

The purpose of Part One of this report is to review for the members of the Subcommittee the history and development of the anti-poverty program and to provide a summary of the presently operated programs and services which are authorized by the Economic Opportunity Act.

Programs operated under authority of the Economic Opportunity Act are administered by the Community Services Administration (Titles I, II, III, VI, VII and IX); the Department of Health, Education, and Welfare's Administration for Children, Youth, and Families (Title V); the Department of Health, Education, and Welfare's Administration for Native Americans (Title VII); and the Legal Services Corporation (Title X).*

Since each of these programs had its beginnings in the former Office of Economic Opportunity (OEO), a short review of the history of OEO/CSA and the philosophies which guided the development of these programs follows. Later in this section the programs and progress of the three agencies responsible for carrying out Titles I through IX of the Economic Opportunity Act are reviewed.

HISTORY OF THE DEVELOPMENT OF THE ANTI-POVERTY PROGRAMS

The Office of Economic Opportunity was established by President Lyndon Johnson in 1964, pursuant to Public Law 88–452, the Economic Opportunity Act. Under the Direction of then Peace Corps Director R. Sargent Shriver, a meeting of experts in the field was called together in February of 1964 to discuss the development of an anti-poverty program and anti-poverty legislation. The objectives agreed upon by the participants in this meeting were: (1) to attempt to break the cycle of poverty; (2) to establish a mechanism to encourage and support individual and family economic independence; and (3) to focus all the existing efforts of the Federal government on these goals through the interagency coordination capability of the Office of the President.

This coordination and program integration theme has been prominent throughout the history of OEO/CSA. In the early stages of planning for the anti-poverty program, the focus on coordination emerged as a two-pronged strategy. The first element of the strategy

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*Title X is independently authorized and is not discussed in this report.

was at the Federal level where, it was believed, a high powered director of an anti-poverty program in the Office of the President could exercise the authority of the President to cut across departmental, agency, and programmatic lines within the Federal Government and to bring together the numerous resources of the Federal Government in an integrated attack on both the effects and the causes of poverty. In his remarks at the swearing in of Director Shriver on October 16, 1964, the President stated that Shriver's duties would be to direct "the activities of all executive departments and agencies involved in the program against poverty." In his March 16, 1964, Message to Congress on Poverty, the President indicated the OEO Director would be "my personal chief of staff for the War against Poverty."

Director Shriver stated in testimony before the House Committee on Education and Labor on the Economic Opportunity Act of 1964 (H.R. 10440) that the OEO would be the managerial arm of the President capable of cutting across departmental lines to facilitate coordination. "The President wants this [authority] because he wants to be at the focal point with respect to this aspect of our domestic effort."

This theme of a national coordinating agency recurred throughout the early years of OEO, including the early days of the Nixon Administration when the President elevated the status of his first OEO Director, Donald Rumsfeld, to Cabinet level and Rumsfeld immediately began a reorganization of OEO to focus the resources of the Agency on planning, research, demonstration, evaluation, and coordination. In hearings before the Ad Hoc Task Force on Poverty of the House Committee on Education and Labor, Congresswoman Mink stated she was pleased with "the President's decision to elevate your position as Director of OEO to Cabinet status, because I think it lends support to the original belief that we need to have a single agency and a single authority to coordinate all of the departments' activities if we are to solve this very serious problem." Congressman Quie expressed similar support and a hope that this elevated status would help Rumsfeld achieve coordination even though previous "subagency" directors had failed.

Senator Nelson, during the introduction of the Economic Opportunity Amendments of 1969 [S. 1809], indicated that the Senate bill would set up a high level coordinating agency in the White House to oversee all programs aimed at poverty regardless of which Federal agency administered them.

As the Nixon Administration's enthusiasm for the poverty program began to wane and ultimately turned hostile, the hope for a single coordinative agency at the Federal level began to diminish. By 1973, the role of OEO was limited primarily to Federal administration of community action funds.

In 1974, a separate agency (CSA) outside the Office of the President, was created by the Headstart, Economic Opportunity, and Community Partnership Act. The primary function of this new agency was to administer Federal funds for community action, special impact programs, and community economic development. In the ten years which preceded the passage of the 1974 amendments, the success of efforts aimed at national coordination of anti-poverty activities

through the OEO was limited and usually confined to modest attempts at coordination within single program categories.

The second element of the original two-part coordination strategy was focused upon activities at the local community level. The Bureau of the Budget, which was an important participant in the planning of the anti-poverty program, strongly supported the community action program concept in the President's Task Force on Poverty (1964). The Bureau believed, based on its experience and frustration with the variety of Federal programs available at the local level, that the community action program concept, applied locally all over the country, would offer new opportunities for coordinating resources and would help force Federal agencies to deal with a single structure at the local level.

In a February 11, 1964, letter to Sargent Shriver regarding Shriver's appointment as a Presidential Assistant for the anti-poverty program, President Johnson described his concept of how the program would develop at the local level.

> "You will also undertake the coordination and integration of federal programs with the activities of state and local governments and private persons, including the Foundations, private businesses and industry, labor unions, and civic groups and organizations. I ask that you invite their close cooperation; that to the extent that they desire, you integrate their efforts with our work on the federal level; and that you encourage joint planning, joint programs and joint administration, wherever feasible."

During the first years of OEO, most community action agencies (CAA's) were just beginning to plan their structures and programs. Their early activities and programs were almost entirely supported and funded by OEO. Although many CAA's had the early and strong support of their local public and private representatives, a large number of communities lacked this participation in developing their initial application and establishing their boards. Progress toward coordination at the local level was, to a great extent, dependent upon the success of these agencies in achieving and sustaining participation of all sectors of the community in the program.

With the passage of the 1967 amendments to the Act, it became a requirement that CAA boards be comprised of one-third elected local officials or their representatives, one-third local private sector representatives, and one-third democratically selected representatives of the poor. In addition, the amendments provided that a CAA must be a State or local government or a public or private nonprofit agency designated by the State or local government. Although these amendments were considered to be the bane of community action at the time they were passed, it appears that the amendments did much to make many CAA's the recognized focus of low-income program planning and coordination for Federal, State, local, and private funds.

The typical successful community action agency today has a board whose membership consists of the mayor(s), county executive(s), county board members, city council members (or their representatives); local business, labor, religious, and academic leadership; and publicly elected representatives of the poor in the community. These

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agencies plan for, coordinate, or operate programs in a diversity of areas and categories including: health, welfare, education, youth, recreation, employment and training, housing, neighborhood development, aging, transportation, outreach, information and referral, alcoholism, drug abuse, urban and rural economic development, food and nutrition, early childhood development, legal services, family planning, emergency fuel and utility assistance, home weatherization, advocacy, counseling, and other programs. CAA's also provide valuable research, data, and information to local and State governments and private agencies about the needs and problems of poor people in the community. It appears that in many communities this second original strategy for coordinating anti-poverty efforts at the local level has succeeded and continues to work effectively.

Following is a summary of programs and services administered by the Community Services Administration and the Department of Health, Education, and Welfare, authorized by titles I–IX of the Economic Opportunity Act.

PROGRAMS OF THE COMMUNITY SERVICES ADMINISTRATION

The Community Services Administration (CSA) is the central agency within the Federal Government for developing, testing, and operating programs to reduce poverty in the United States. CSA carries out its role as an advocate for the nation's poor through and with the assistance of the agency's state and local grantees. CSA is represented in a variety of activities including individual and group outreach and access assistance, community organization, research and demonstration, and advocacy directed at policies and regulatory practices adversely affecting the poor and disadvantaged. These activities generally occur at all three levels: local, State, and Federal. The Agency also plays a lead role in interagency and intergovernmental efforts to coordinate and maximize resources and activities designed to eliminate poverty or minimize its effects.

There are six basic programs within CSA at this time: Community Action, Economic Development, Energy and Weatherization, Senior Opportunities and Services for the Elderly, Community Food and Nutrition (formerly Emergency Food and Medical Services), and State Economic Opportunity Offices.

Community Action

Community action is the primary method through which the CSA seeks solutions to the social and economic problems related to poverty. This concept operates through 879 community action agencies—CAA's—located in fifty States and the Trust Territories. CAA's operate in 2,211 U.S. counties, more than two-thirds of the Nation's 3,143 counties. Fourteen million persons participate annually in these locally based and operated programs. Of this number, 46.1 percent are white, 43 percent black, 5.5 percent American Indian, and 5.4 percent other nonwhite. Twelve percent of the total participants are Spanish-speaking.

At the heart of the Nation's efforts to eliminate poverty is community action. This concept is the basic Federal approach to local assistance programs for the poor. Community action is just what the

name implies—a community marshaling its own abilities, tapping State and Federal resources, recruiting professionals, and enlisting volunteers to solve the problems of its own low-income citizens.

Community action agencies carry their services into areas of need. With neighborhood centers, mobile units, and outreach workers, CAA's seek to inform and involve every family or individual who might benefit from the program.

No two community action agencies are exactly alike because conditions vary from place to place. The programs, tailormade to address specific problems, may include some or all of the following:

Health services in places where doctors have been scarce and hospitals nonexistent;

Job development and training in areas of high unemployment;

Day-care services that allow needy mothers to work while their children are taken care of under watchful supervision;

Nutritional meals and profitable crafts and other activities for senior citizens;

Headstart tutoring and other education assistance to limit the effects of inherited poverty; and

Housing rehabilitation or help in acquiring a new home.

With administrative and other funds from the Community Service Administration, along with specific program grants from various Federal agencies, CAA's combine imagination, resourcefulness, and hard work to combat poverty. In fiscal year 1977, approximately $330 million was available for CAA Local Initiative (Section 221 of the EOA). It is estimated that CAA's generated over $2 billion from Federal, State, and local sources for human service programs in their local communities.

Economic Development

The Federal community economic development program was created in 1966 under title I, part D, of the Economic Opportunity Act. This legislation was designed to promote significant economic and community development in urban and rural areas with a high level of unemployment, dependency, and physical deterioration. In 1972, title I, part D, was replaced by a more comprehensive title VII. The program is administered by the Office of Economic Development (OED) in the Community Services Administration.

OED's programs are a combination of resident-controlled community development and profit-oriented business development efforts. Though OED programs bear some similarity to those funded by the Department of Commerce, there are basic differences. First, Commerce Department programs are mandated to serve the general community while OED programs are directed toward the poor. Second, Commerce programs assist individual business persons, not communities as do OED programs. Finally, Commerce's emphasis is toward helping members of minorities rather than low-income people as such.

The principal function of the Office of Economic Development is the administration of the Special Impact or Community Development Corporation (CDC) program. OED currently funds 43 CDC's under Title VII: 18 serve urban neighborhoods, 18 serve rural communities, and 7 are in the planning stages. These CDC's are located in 28 States, the District of Columbia, Puerto Rico, and the Virgin Islands. A CDC

receives between $2 million to $10 million for a 2-year funding period—money to be used for administrative and venture purposes. New jobs created by CDC's range anywhere from 40 to over 200 during such period. Overall funding for economic development has remained relatively stable for the past few years at $48 million. The President's budget request for fiscal year 1979 proposes a cutback in CDC appropriations to $25.8 million.

CDC's currently operate various and diverse businesses. Among them are manufacturing plants for toys, canoes, furniture, blue jeans, aquariums, and metal fabrication; shopping centers; production and marketing cooperatives; franchises; industrial parks; housing projects; land development; and grocery stores and supermarkets.

These corporations hire the poor in their localities and provide training where needed, while seeking to run profitmaking businesses to augment the economic level of the disadvantaged communities. CDC's invest, in short, in both people and projects for the benefit of both.

Energy and Weatherization

Upon its own initiative and using previously appropriated funds, OEO/CSA originated a comprehensive weatherization and energy-saving program for the poor at the time of the fuel crisis in 1973. Working through its network of CAA's, homes were weatherized—insulated and made more energy efficient—using cooperatively purchased materials, as well as volunteers and job trainees. The agency later initiated an energy voucher subsidy program to test this method of providing the poor with money to buy fuel. Revolving loan funds, crisis centers, and emergency fuel depots were also set up by CAA's. In 1975, Congress authorized the agency to continue its efforts in future years under the legislation which created the Community Services Administration. As of December 31, 1977, the agency had weatherized 268,252 homes at an average cost of $233 per home. CSA is currently providing crisis relief moneys to the poor for high fuel bills resulting from the harsh winter this year.

Senior Opportunities and Services

Thirty million Americans over 60, particularly the 6.5 million poor among them, have problems which are aggravated by age.

Lack of adequate food, housing, medical care, and other essentials for a decent and dignified old age are problems the elderly poor experience. The Senior Opportunities and Services (SOS) program of the Community Services Administration attempts to limit the impact of these problems both through its own services and by referral to other agencies.

Created under a 1967 amendment to the Economic Opportunity Act, SOS projects operate through community action agencies in both urban and rural localities. There are currently 199 SOS projects in 46 States, Puerto Rico, and the Virgin Islands.

Community Food and Nutrition

Chronic malnutrition and hunger are twin spectres which still affect many of the Nation's poor. This is true despite the existence of food stamps and other major food programs.

For example: though approximately 30 million persons are eligible for food stamps, only 16.7 million receive them. Nearly half the poor children in day care programs—one-half million persons in all—do not have access to child feeding programs. Of the 4.5 million eligible under the Women, Infants and Children (WIC) nutrition program, less than 25 percent receive food or food supplements.

Thus, hunger among Americans continues to a substantial degree. The goal of the Community Food and Nutrition Program—CFNP—of the Community Services Administration is to reduce that gap. It seeks to do this in two basic ways: by supplementing the larger food programs of other agencies and by funding projects which will increase the production of food for the poor by giving them the means to grow and preserve foods.

The Community Food and Nutrition Program (formerly Emergency Food and Medical Services) was established by the Congress in 1968. It was authorized to supplement, not replace, the larger programs. CFNP operates as a national emphasis program, with special funding, and seeks to reduce hunger among the poor through direct services, outreach, as well as by seeking changes in food programs authorized to serve the poor.

The Community Services Administration funds over 600 Community Food and Nutrition Projects through grants to CAA's, Indian Tribal Councils, migrant groups, and other private nonprofit or public agencies at State and local levels.

State Economic Opportunity Offices

The Community Services Administration seeks to work closely with State and local governments in improving the economic status of the poor and the delivery of services to the poor within the various States and localities.

One of the CSA's principal administrative mechanisms for accomplishing this cooperation is the Division of State and Local Government. It functions in two fundamental ways: through the State Economic Opportunity Offices—SEOO's—which are funded in the 50 States, the District of Columbia, the Virgin Islands, and Puerto Rico; and through coordinating the collaborative efforts of CSA headquarters, the agency's 10 regional offices, and the 50-plus SEOO's.

State Economic Opportunity Offices, usually located in the Office of the Governor of each State, are essential to the overall operation of the Division of State and Local Government.

State Economic Opportunity Offices currently:

Provide technical assistance to community action agencies, particularly those which are rural. Since 1969, rural CAA's have received long-term on-site technical assistance from SEOO's through State special technical assistance programs;

Serve as advocates for programs for the poor with other State agencies; and

Serve as coordinators and liaison with other Federal agencies in statewide and local programs.

PROGRAMS OF THE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Headstart Program

The Headstart program is authorized under the Economic Opportunity Act to provide comprehensive developmental services to disadvantaged preschool children. Since its inception in 1965, Headstart has provided health, educational, nutritional, and social services to some 6 million children and their families in every U.S. State and territory. Launched by the Office of Economic Opportunity, it is now administered by the Administration for Children, Youth, and Families (ACYF) of the Department of Health, Education, and Welfare.

In fiscal year 1977, Headstart served 349,000 children through 1,233 full year grantees, 161 summer grantees, and 33 parent and child centers. The program employed nearly 68,000 professionals and nonprofessionals and enlisted the services of about 95,000 volunteers, including many parents. Ten percent of enrollment opportunities in each State are made available to handicapped children. In fiscal year 1976, Headstart served approximately 32,000 handicapped children in its full year programs.

To achieve its goals, Headstart provides not only for the educational needs of the children, but also for their social, psychological, health, and nutritional requirements. Recognizing the major role of the family in child development, Headstart has pioneered in the area of parent involvement—providing low-income parents an opportunity to help plan and implement local Headstart programs. In many cases, Headstart provides training and jobs for parents at the centers, helping them work their way out of poverty and, often, achieve professional status.

Headstart has also launched a series of innovative projects which have had influence on the child development field across the country. About 11,000 Headstart children are enrolled in innovative demonstrations projects.

For 12 years the Headstart program has played a major role in focusing the attention of the nation on the importance of early childhood development, especially in the first five years of life. In many ways, the program has had a dramatic impact on the child development field nationwide: serving as a model for many other child development programs, public and private; pioneering in the delivery of health services to disadvantaged preschool children; focusing attention on the importance of parent involvement; and impacting on community efforts for low-income families.

Headstart children benefit from the program in a variety of ways. Data concerning the program's short-term and long-term effectiveness support the following conclusions based on Headstart research since 1969:

1. Headstart has been effective in preparing children for later reading achievement. Headstart participants perform equal to or better than their peers when they begin regular school and there are fewer grade retentions and special class placements.
2. The majority of studies show improvement in performance on standardized tests of intelligence or general ability.

3. Headstart positively contributes to the development of emotionally mature behavior. Studies of self-concept have been favorable when programs operate with a high degree of parent participation.

4. The research has revealed lower absenteeism, fewer cases of anemia, more immunizations, better nutritional practices, and, in general, better health among children who had participated in Headstart.

Further, research and evaluations of preschool intervention programs support the Headstart findings and reveal sustained effects of early intervention beyond the third grade.

Many Headstart programs are operated or administered by community action agencies. In many instances Headstart grantees and community action agencies work closely in attempting to help the community's institutions meet the needs of low-income children and families.

Follow Through Program

The Follow Through Program was one of the original programs started by President Johnson in the Office of Economic Opportunity. The program was designed as a developmental program for low-income, disadvantaged children and was intended to "follow-through" or sustain and expand upon the gains made by children in Headstart or similar preschool programs. The original plan for the program called for appropriations of $120 million in the first year. When the amount of money available for poverty programs proved to be less than had been expected, the design of and plans for the Follow Through Program had to be scaled down. As a result, Follow Through was modified to become a research program which began operation at a $15 million funding level in school year 1967–68.

Follow Through is based on the concept of planned variation utilizing different educational and developmental models, each of which has developed an approach to the education of disadvantaged children in kindergarten through third grade. The program emphasizes community and parental involvement and encourages the focusing of available local, State, and Federal resources on low-income persons.

The local programs (there is at least one program in 49 of the 50 states) are comprehensive in scope and directly focus on various aspects of child learning and development. This includes instruction, medical and dental health, nutrition, psychological and social services, staff development, and career advancement.

In the school year 1976–77, approximately 4,000 Follow Through classrooms enrolled more than 75,000 children from low-income families (50 percent black, 14 percent Spanish surnamed, 30 percent white, 5 percent Indian). Approximately 7,500 paraprofessionals were employed in the program, the majority of whom were parents of Follow Through children.

Since 1974, the Follow Through Program has been authorized, under Title V, Part B (Financial Assistance for Follow Through Programs), of the Economic Opportunity Act, at a funding level of $60 million.

For three consecutive years from 1974–1976, the previous Administration attempted to phaseout the program. Each time the Congress refused to accept a phaseout. The current Administration is recommending such a phaseout again.

Unlike the Headstart Program, which is administered by the Administration for Children, Youth, and Families, the Follow Through Program is administered by the Office of Education (OE). OE has viewed the program as a means by which various educational models could be tested with the intent of finding one model that would be successful nationwide. After spending several million dollars on the evaluation of the various models, the OE evaluation reached the conclusion that there was no one approach to early childhood education that would work universally.

It appears that OE in its evaluation of the program failed to recognize that Follow Through was intended to be a comprehensive child development program which would focus on all aspects of child development and seek to maintain the gains accomplished by preschool programs. However, the local programs have attempted to recognize the comprehensive nature of the programs, as well as the program's emphasis on community and parental involvement, including education of and employment of parents.

In the communities where a Follow Through Program operates, the children participating in the program, the parents and the community have benefited significantly from the many developmental services the program provides.

Native American Program

The Administration for Native Americans (ANA) is charged with serving the 1.4 million American Indians, Alaskan Natives, and Native Hawaiians who together rank lowest among special population groups on most measures of health, education, and socioeconomic well-being. The Native American Program is authorized under Title VIII of the Economic Opportunity Act. ANA provides financial and technical assistance to Indian tribes and groups to increase their economic and social self-sufficiency. Financial support has been provided primarily to create an administrative structure at the tribal or local level which serves as a catalyst for obtaining and managing a broad range of programs to meet the needs of the Native American population. In fiscal year 1978, $33 million was provided for the Native American Program and 219 programs were funded by ANA.

During the past year ANA instituted a number of improvements in its management system. Regulations were published, new grant and contract review procedures were established, evaluation standards were developed, and an internal reorganization to increase accountability was initiated.

Programmatically, ANA provides grant support to 110 tribal organizations, 68 urban Indian organizations, and one Native Hawaiian consortium. All grantees provide administrative, social, and community services to Native American residents. Programs funded by other agencies but administered by ANA grant-funded personnel include housing, health, nutrition, manpower, outreach, services for senior citizens, alcoholism, day care, and Headstart.

Grantees have been particularly successful in generating additional resources. The 68 urban centers receive $5.4 million annually through ANA and have been able to attract an additional $31.5 million in other programs and services.

ANA has attempted to mobilize other agencies' resources to develop services targeted to the needs of Native Americans, as in the case of the community health representative program of the Indian Health Service, the development of Indian community colleges and Indian-controlled schools, and the initiation of a special program for aged Indians.

The programs of the ANA fall under three main categories: General Community Programming, Training and Technical Assistance, and Research and Evaluation. The programs funded are many and varied including: food and nutrition, health education, family planning, senior citizens services, adult education, arts and crafts development, and Indian-owned and operated housing construction companies. They also include many economic development programs such as environmental farming, cutting and sale of timber products, fishing rights, gem stone mining and stone polishing, and coal mining. Training and technical assistance programs are in manpower training, financial management, proposal writing grantsmanship, management development, reporting and evaluation. Research and evaluation programs are in the areas of census use studies, planning and management tools and techniques, and urban Indian Centers service delivery.

Many local grantees are organized and operate in their Native American communities much like community action agencies. These grantees maintain the basic community action philosophy of helping people help themselves, and through participation with the CAA's in statewide anti-poverty associations and joining in the planning and delivery of services for CSA programs such as Community Food and Nutrition and Energy Conservation and Home Weatherization.

PART II: SUMMARY OF OVERSIGHT AND INVESTIGATIVE REPORTS CONCERNING PROGRAMS AUTHORIZED BY THE EOA

The purpose of Part Two of this report is to provide the Members of the Subcommittee with a review and analysis of various reports and investigations which have been issued or conducted within the past two years concerning management problems, abuses, and recommended reforms in the Community Services Administration (CSA). Problems in other programs authorized under the Economic Opportunity Act also are reviewed.

While the attempts of the Nixon Administration to dismantle the federal anti-poverty agency did not succeed, they left the agency fragmented, poorly managed, and demoralized.

President Nixon's budget message in January 1973, announced that OEO would be closed out as of June 30, 1973. Howard Phillips was President Nixon's choice to head the agency and preside over the planned dismantling. To carry out this mission, Phillips wrote an internal OEO memorandum which discussed strategies for handling Congress while the dismantling of OEO was accomplished. It said, in part, "Thus unless a focus on OEO is politically desirable, program transfers and shutdowns should be prompt, before the opposition musters strength (or will) to put Humpty Dumpty together again." The memorandum called for "a swift and successful dismemberment" of OEO by June 30th, before there was time for "congressional opposition to gather and develop a legislative counter-strategy."

Since January of 1976, there have been eight reports or investigations by Congressional Committees, the General Accounting Office, the Congressional Research Service, and the National Advisory Council on Economic Opportunity regarding the administration and management of programs authorized under Titles I, II, III, V, VI, VII, and VIII of the Economic Opportunity Act. The reports are enumerated below in chronological order:

The January 1976 Report of the House Government Operations Committee entitled "Management Deficiences in CSA" (the Hicks Report);

The Ninth Report of the National Advisory Council on Economic Opportunity in March of 1977;

The August 1977 Report of the House Government Operations Committee entitled "Establishment of Offices of Inspector General in Certain Executive Departments and Agencies" (the Fountain Report);

The August 1977 Report of the House Government Operations Committee entitled "Major Reforms Needed in the Community Services Administration" (the first Collins Report);

The September 1977 Report of the Congressional Research Service entitled "Distribution of Formula Grant Funds Under the Headstart Program" (the CRS Report);

The October 1977 Report of the Comptroller General entitled "National Organizations Which Support the Community Action Program" (the GAO Report);

The October 1977 House Government Operations Committee Report entitled "Operations of CSA-Supported Anti-Poverty Associations" (the second Collins Report); and

The ongoing investigation by the GAO concerning the operations of Community Development Corporations under Title VII of the Act (the GAO-CDC Report).

These reports detailed a wide variety of management deficiencies as well as some abuses which have occurred at the Federal, State, and local levels. Each has included recommendations for correcting the identified problems.

This section summarizes the findings of the various reports according to the following categories:

(a) Organization and Management;
(b) Fiscal Program and Grantee Administration;
(c) Community Economic Development;
(d) Advocacy; and
(e) CSA-Supported Anti-poverty Associations.

The summary in each category also details the recommendations made in each report, the responses of the agency to those recommendations, and any additional recommendations of the staff of the Employment, Poverty, and Migratory Labor Subcommittee.

ORGANIZATION AND MANAGEMENT

Deficiencies in the organization and management of the Community Services Administration were detailed in three reports: the Hicks Report; the August 1977 Collins Report (first Collins Report); and the 1977 Report of the National Advisory Council on Economic Opportunity.

Findings and Recommendations

The Hicks Report identified abuses of personnel practices which often involved improper detailing of Intergovernmental Personnel Act (IPA) assignments and Schedule C appointments at OEO/CSA. The report cited the following as examples of such abuses:

(1) On four occasions the Director placed high-level schedule C employees on IPA assignments of little or no benefit to the agency. These assignments were 100 percent Federally funded. Two employees, one of whom had vowed he would never return to CSA, were assigned to activities in their home towns. One other employee simply stopped reporting for work while continuing to receive pay.

(2) On at least two occasions, the Director himself certified, under penalty of law, that an employee's duties included responsibility for functions no longer performed by the agency.

(3) Five Schedule C advisors were assigned to the Associate Director of Program Review for over a year, despite the fact that there was no one filling that position.

(4) The Director placed his Schedule C Executive Assistant on IPA, and made plans to request an additional Schedule C position from the Civil Service Commission to replace him.

(5) On two occasions, non-career employees were converted to career positions and immediately left the agency on two-year IPA assignments. One of these served no probationary period of Federal career service.

The Subcommittee found the Schedule C and IPA abuses to be flagrant and visible and this undoubtedly increased their detrimental impact on morale in the agency.

The report also cited examples of outdated personnel ceilings, over-graded employees, and uneven distribution of workload at CSA.

The Hicks Report recommended that the agency seek authority from the Civil Service Commission to correct personnel problems and that the agency reorganize immediately, but the report did not give any specific guidelines for the recommended reorganization.

The first Collins Report pointed out that CSA had failed to respond to the recommendations of the Hicks Report and found that continued internal mismanagement had crippled efforts by the agency to assist its grantees. This report found unacceptably high levels of program failures which might have been prevented through better management, review, and technical assistance. Unacceptable performance standards for agency employees as compared to those of other Federal agencies were also identified. The report summarized as follows:

> In the exercise of its oversight responsibilities, the Manpower and Housing Subcommittee held hearings in 1975 on alleged personnel abuses in the Community Services Administration (CSA). These hearings were followed by a report by this Committee, "Management Deficiencies in the Community Services Administration" (H. Rept. 94–785), dated January 27, 1976. That report detailed a number of severe problems that crippled CSA's effectiveness. Personnel abuses and poor management practices were prevalent and were furthered by CSA's inadequate organizational structure. The agency's failure to reorganize following the attempted dismantlement in 1973 had perpetuated outdated personnel ceilings, over-graded employees, and markedly unequal distribution of work among employees. Employee performance and morale had declined, and the management of the agency had not demon-

strated that it could arrest this decline. The Committee found that the agency's inability to perform effectively had led to a breakdown in its role as an advocate for the poor within the Federal Government. The first recommendation in the Committee's report was that CSA reorganize itself without further delay and that the Civil Service Commission closely monitor such reorganization to insure that management deficiencies are corrected.

The first Collins Report also recommended that the agency implement the reorganization plan which had been approved by the Office of Management and Budget in July of 1976. The report recommended that a high priority be placed on program and grantee monitoring and evaluation. It further suggested that the agency set higher employee performance standards in line with those of other Federal agencies.

Agency Response to Date

Subsequent to the issuance of the Hicks Report, CSA Director Bert Gallegos resigned. He was succeeded in April 1976 by Director Samuel Martinez, who began to respond to the report recommendations. However, continued delays including administrative, management, personnel, and programmatic problems, slowed progress toward reorganization. Although the Office of Management and Budget did approve the reorganization proposed by Director Martinez in July 1976, he resigned before he could implement it. Robert C. Chase, Deputy Director of the agency under Martinez, became CSA Acting Director in January 1977. Due to the impending change in administrations at the White House and CSA, Chase chose not to proceed with the approved reorganization during the transition period.

When Graciela Olivarez assumed her responsibilities as CSA Director in April 1977, she reevaluated the reorganization plan and made a number of structural changes in it.

At this writing, the reorganization of CSA headquarters is nearly complete, and reorganization of regional offices is proceeding. The agency requested and received special authority from the Civil Service Commission to deal with the personnel and workload problems identified by the Hicks Report.

Highlights of the new CSA organization are as follows:

The role of the Office of Community Action (formerly the Office of Operations) in planning, administering, and evaluating CSA programs funded under Title II, Community Action Programs is clarified. A focal point for guiding and monitoring the operations of the ten regional offices is provided.

An Office of Policy, Planning, and Evaluation is created which reports to the Director and provides the Director with coordinated policy recommendations based on input supplied by the Assistant and Associate Directors and Regional Directors. It exercises provisions authorized by Title IX of the Economic Opportunity Act of 1964 and conducts agency evaluation consistent with the EOA.

A new Office of Management has been created which combines the former Office of Administration and the Office of Controller. Functions now located in the Office of Management include: Information, Management and Systems; Labor/Management Relations; Administrative Services; Personnel; Internal Audit; Procurement; Data Processing; Financial Management; Fiscal Systems and Payroll; and Budget and Program Analysis.

The title of the Office of General Counsel has been changed to the Office of Legal Affairs and General Counsel and this office has taken on the following additional responsibilities: Labor/Management and Personnel Division will provide legal advice and counsel to the Office of Management and the Human Rights Division on personnel administration and equal employment policies; Human Rights Division, which formerly stood as an office, is absorbed entirely and deals with matters of discrimination in employment, affirmative action and EEO; External Audit Division, formerly under the Office of the Controller, continues to appraise the financial integrity of CSA grantee fund administration.

The Office of Economic Development has been strengthened to administer CSA's responsibilities under Title VII, Community Economic Development.

A new Office of Interagency and External Affairs has been created, which recommends to the Director policies, plans, and programs to coordinate or influence the activities and resources of Federal, State, and local government and the private sector in combating poverty.

The roles of the Office of Public Affairs and the Office of Congressional Affairs have been more sharply defined and clarified.

CSA has also established new guidance on employee standards of effectiveness, new policies governing grantee self-evaluation, and standard procedures for external evaluations. These new evaluation policies were summarized in the Director's response to the Government Operations Subcommittee on Manpower and Housing.*

In conjunction with the requirements of OMB Circular A–110, "Uniform Administrative Requirements," CSA has implemented revised self-evaluation and reporting procedures which will (a) simplify the way information is reported; (b) tie reported information to the grantee's program goals and the CSA standards of effectiveness; and (c) schedule program reporting to coincide with financial reporting. These steps should make program progress reporting more useful and timely for both the grantee and the CSA regional offices. Finally, CSA regional offices will be required to review grantee program progress reports as part of the process of certifying that they are meeting the CSA standards of effectiveness and are therefore eligible for refunding.

Additional Staff Recommendations

Although there has been an extended delay in responding to the recommendations of the Hicks Report, the new Administration is attempting to address the problems identified by the Hicks Report and the first Collins Report. In addition, there are several other actions which could be taken.

The reorganization of CSA regional offices provides one field representative for every six Community Action Agencies. The reports discussed in this section pointed to the fact that CAA's need the individual attention and technical assistance of well trained field representatives. It will continue to be difficult for CSA field representatives to provide this needed attention and assistance if each representative is assigned to an average of six agencies.

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*The actual CSA guidances and instructions may be found in Appendix D.

At least one energy staff specialist and one employment staff specialist should be assigned to each regional office to provide CAA's with expert technical assistance and guidance in these two major program areas. The energy and employment areas—including the CSA Energy Conservation and Weatherization Program; the Department of Energy Weatherization Program; the Department of Commerce Title X Program; and CETA Title I, II, III, and IV Programs—have become the largest program categories administered by the CAA's.

The CSA Headquarters Office reorganization appears to underemphasize these two programmatic areas. The reorganization places four staff members on the agency's manpower team and four staff members on the energy team. These teams are responsible for administering CSA special emphasis and research and demonstration programs, for coordinating with other Federal agency programs, and for overseeing the provision of assistance to grantees in the employment and energy program areas.

The CSA Energy Program is second only to the Community Action Program in size of budget among the six major programs of the agency. In fiscal year 1978 the energy team is expected to administer over $265 million in Energy Conservation Program and Special Crisis Intervention Program funds. Reviewing, approving, and monitoring grants and providing technical assistance to grantees for programs of this size will require more than a four-person team to be properly carried out.

The manpower team is designed to provide technical assistance, guidance, and support to CAA's in employment and training programs. Although CSA is not authorized to undertake a major employment and training program, many CAA's operate or administer large portions of the CETA programs in their communities. CSA must be able to assist and support CAA's in the operation of employment and training programs. This will help insure that Federal employment and training programs reach the people they are designed to serve.

The importance of these two program areas to the Congress is demonstrated by the passage of legislation last year for major youth employment programs and substantial appropriations for CETA programs, the Special Crisis Intervention Program, and the CSA and Department of Energy Weatherization programs.

CSA should consider elevating the role of the manpower and energy teams and consider providing the personnel and resources necessary to carry out the employment and energy program responsibilities that have been described.

PROBLEMS RESULTING FROM STATUTORY REQUIREMENTS AND FUNDING CYCLES

The Hicks Report, the first Collins Report, and the 1977 Advisory Council Report each discussed two interlocking procedures which have caused continuing management problems for CSA.

As a result of continuing resolutions passed by the Congress to keep the anti-poverty program alive while the Nixon Administration was attempting to dismantle OEO, the agency funding cycle went from an annual procedure, in which grantee review and refunding occurred for one-twelfth of all grantees each month, to quarterly funding for all grantees. Quarterly funding requires that all grants be reviewed

and approved for refunding at the same time four times each year. Coupled with the requirement in the 1974 amendments to the Economic Opportunity Act that all grants be reviewed and approved by the CSA headquarters office, an extremely difficult management problem has resulted for the agency. In the past year, CSA has been able to return most of its small grantees to annualized funding, but does not have the resources to accomplish this for most of its large grantees ($300,000 or more annual local initiative, section 221, funding is considered a large grantee).

Both the House and Senate versions of the Economic Opportunity resulted for the agency. In the past year, CSA has been able to return authority to the CSA Director to delegate grant review responsibility to the regional offices, where appropriate. This would help correct the present problem and may result in more extensive review of individual grants, since the regions will have more time to devote to each application.

It is estimated that returning all remaining CSA grantees to annualized funding would require a one-time appropriation of $100 million. Successful local agencies continue to be burdened and restricted by the delays which quarterly funding has necessitated. The Appropriations Committees may wish to take action to correct this problem in fiscal year 1979 or fiscal year 1980.

FISCAL, PROGRAM, AND GRANTEE ADMINISTRATION

The first Collins Report, the Fountain Report, the 1977 Advisory Council Report, and the CRS Report all identified fiscal, program, or grantee responsibility problems in CSA. It appears that these findings may be the most damaging of all those identified by the various reports. These findings will require consistent efforts by the agencies involved to correct the problems and prevent their recurrence.

Findings and Recommendations

The first Collins Report found that CSA had failed to enforce fiscal and programmatic discipline in its programs and grantees. Grantees were not provided with adequate fiscal and program management technical assistance to improve themselves, and regional field personnel were poorly trained or untrained in these areas. The report found grantee fiscal reports received only cursory reviews at regional offices and CSA headquarters. There were no quality controls governing the work of grantee auditors who were contracted for by the grantee. Expenditures which had been questioned by grantee auditors were later allowed by CSA with what the report considered weak justification. The CSA Inspections Division was found to be understaffed and its recommendations were sometimes ignored by agency management even when alleged criminal activity was involved.

The report admonished CSA to make sure that Federal funds are used for intended program purposes. The report suggested that the agency's capability to provide technical assistance to grantees in program and fiscal management be expanded and that appropriate specialized technical assistance be contracted for by CSA. This report recommended that CSA increase its quality control of grantee audits, giving special attention to grantee travel and consultant costs. The

report also recommended that strong action be taken against grantees who have not submitted required audits. The first Collins Report recommended that CSA hire all grantee auditors as is suggested in the Comptroller General's Audit Standards. The first Collins Report also recommended that an independent Division of Audits and Inspections be established within CSA.

In hearings on H.R. 8588, a bill to create an Office of Inspector General in certain Executive Departments and Agencies, the House Committee on Government Operations, Subcommittee on Intergovernmental Relations and Human Resources, learned of numerous past audit and investigation problems at CSA. The Committee subsequently included CSA as one of the agencies that would be required to establish an Office of Inspector General.

The Fountain Report determined that CSA had no affirmative program to seek out potential abuse and that the agency relied almost entirely upon complaints, which were not always completely investigated. The report also found that, in the past, program managers had to approve all requests for investigations and such requests were sometimes ignored or inappropriately denied. In at least one instance, the report noted that the Inspections Division was ordered to terminate an active investigation involving the embezzlement of $10,000. The subject of the terminated investigation subsequently became a fugitive.

The Fountain Report recommended the passage of H.R. 8588, which would consolidate existing audit and investigative functions in CSA and certain other Federal agencies into newly established independent offices of Inspectors General. The job of the CSA Office of Inspector General would be to fully inform the Director and the Congress about administrative, management and operations problems, and the progress of corrective actions. The office would conduct and supervise all audits and inspections of agency programs and operations. The Inspector General would be appointed by the President with the advice and consent of the Senate.

The House Committee on Government Operations reported H.R. 8588 on August 5, 1977. The bill was passed by the House on April 18, 1978, and has subsequently been referred to the Senate Governmental Affairs Committee.

The first Collins Report found that local community action programs have often been far ahead of CSA in performance, success, and sophistication. During hearings held by the House Manpower and Housing Subcommittee, a Committee member stated, ". . . it seems that what you are all saying is that the strength of this total operation is, at the local level, in the CAA—the community action agencies. Most of the problems and most of the weaknesses are coming from the Federal level."

The National Advisory Council on Economic Opportunity's 1977 Report found that local research and demonstration projects, often initiated and funded by local CAA's, have become increasingly more responsible and innovative than national "R and D" projects operated or contracted for by CSA. The Advisory Council recommended that the majority of CSA research and demonstration funds be directed to innovative efforts of grantees at the local level.

The 1977 Advisory Council Report noted, however, that some CAA boards are not in compliance with CSA regulations and recommended that CSA review local CAA board compliance and take corrective

action. The Council also learned that some CAA's may no longer be serving the most pressing needs of the local low-income community. Programs, services, and facilities, once put in place, often tend not to change even though the size, geographic location, ethnic or racial make-up and/or service needs of the low-income community may change substantially over time. Staff note this may also be true of programs authorized under Title V and Title VIII of the Act, which are not always operated or administered by CAA's.

The Council recommended that annual poverty assessments be required of each CAA with appropriate adjustments to programs and services. The Council also recommended that CSA provide its grantees technical assistance in order to establish and maintain this assessment capability.

The Advisory Council's 1977 Report also pointed out that CSA regulations were often outdated and inappropriate to the type and complexity of programs being operated by its grantees. The Council found that the agency had not adequately complied with its reporting requirements under Section 608 of the Economic Opportunity Act.

The Council recommended that CSA comply with its reporting requirements in a timely manner and also recommended that the agency initiate a comprehensive review of all its regulations. In addition, the Council recommended that the General Accounting Office undertake a review of all programs which have been previously delegated to other Federal agencies, such as Headstart, Job Corps, and migrant and farm worker programs, to determine whether those delegated programs continue to serve the needs of low-income and disadvantaged people in local communities. The Council also requested that Congress consider transferring all migrant and farm worker programs of the Federal Government to CSA.

Agency Response to Date

The agency has responded directly to the Collins Report. Steps toward reorganization of audit, inspection, and legal affairs functions are being taken which should assist in the correction of the major deficiencies identified in the first Collins Report.

The agency has reorganized Audit, Human Rights, Inspections, and General Counsel responsibilities into one Office of Legal Affairs which will be the single enforcement arm of CSA. This new office has and will receive increases in staffing. The agency plans to make more flexible use of partial nonrefunding of delinquent grantees as an enforcement tool. The External Audit Division will, on a random basis, review 10 percent of all grantee auditors' working papers annually and the agency will shorten the time lapse between questioned costs and binding determinations. The agency plans to deny funding to grantees who have not submitted required audits. All inspection requests and allegations potentially requiring investigation will be forwarded directly to the Office of Legal Affairs, with sole authority for ordering or denying an investigation vested in the General Counsel.

In her letter of response to the August 1977 Collins Report, Director Olivarez summarized the agency's activities:

> Prior to the issuance of the Committee's Report, CSA had already placed a high priority on its monitoring efforts by reorganizing the formerly separate Inspection, Audit, Human Rights, and General Counsel Division

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into one office to serve as the enforcement arm of the Agency. This office, the Office of Legal Affairs and General Counsel, is now headed by a Presidentially appointed Assistant Director who has been delegated the responsibility for insuring that CSA law and regulations are religiously followed by CSA employees and grantees. The new office will receive substantial increases in staffing in order to carry out its new mandate.

Among the changes already accomplished or currently underway with the assistance of the new Office of Legal Affairs are the more flexible use of partial nonrefunding or suspension of funds rather than limiting CSA to the single option of writing off all funding, which is so severe a measure that it was at times in the past used as an excuse for doing nothing. Access to all appropriate bank accounts, both CSA and private, will be assured by either regulation or grant conditions. Where an illegal expenditure of CSA funds by a grantee results in certain individuals illegally receiving such funds, they will be recovered by means of civil lawsuits initiated by the agency against the individuals, rather than by merely disallowing grantee expenditures. Legislative changes have been suggested and adopted by the Administration which will clarify CSA's legislative authority over the control of funds awarded for economic development corporations. Title II funding of economic development is being brought under control. Conflict of interest regulations are being strengthened. New, more responsible travel regulations and membership dues regulations have been published. The regulations regarding payroll deductions for political activities have been formally reinterpreted and published.

The External Audit Division will substantially increase its review of grantee audit work papers, reviewing on a random basis the work of at least 10 percent of the 1,450 independent grantee auditors.

Each of the 1,750 audit reports received by the External Audit Division is reviewed under current practices: also, a hundred or more audits are performed directly by the staff of External Audit. Recommendations and requests based on these reviews are in each case forwarded to the responsible CSA program official for action. The new Office of Legal Affairs is now responsible for insuring a proper response to these recommendations and is establishing a systematic process for pinpointing responsibility and establishing deadlines for response and action.

The entire process of disallowing grantee costs questioned by auditors is under review by the Office of Legal Affairs with the goal of shortening the time between a cost being questioned and the agency making a binding determination.

Additional Staff Recommendations

The recommendation of the Collins Report that all grantee auditors be hired by CSA is laudable. However, it may be too cumbersome, expensive, and time consuming, since 1,450 individual grantees are involved. CSA should experiment with aggregate auditor contracting through State Economic Opportunity Offices for all grantees in a state.

The reorganized Office of Legal Affairs essentially meets the recommendation of the Collins Report for an independent division of audit and inspections and should be reviewed after one year of operation to determine its effectiveness in correcting abuses. After discussions with agency officials, it appears that the inspections function remains understaffed even in the CSA reorganization with only ten staff members in place as of April 1, 1978.

The present reorganization of CSA, with its Office of Legal Affairs headed by the agency's Assistant Director and General Counsel, attempts to accomplish the same objectives in CSA as those recommended in the Fountain Report. The new office has taken action to correct audit and investigation problems and end consistent abuses. As stated above, the office should be reviewed for its effectiveness in correcting past problems and abuses after one year of operation.

The recommendation made by the Advisory Council concerning CSA review of CAA board compliance with CSA regulations should be carried out by the agency. As part of its continuing reorganization, CSA now requires that each regional office have an officer responsible for review of grantee compliance with all applicable CSA regulations. This officer has the responsibility to continuously review the names, dates of election, mandated board representation, and terms of office of grantee board members to determine compliance with CSA regulations. As grant actions proceed through regional offices, the compliance officer will make recommendations to the regional director regarding the grantee's compliance record.

In S. 2090 the Administration requested changes in the limitation on terms of service of private sector and low-income representatives to CAA boards. This change would limit private sector and poverty representatives to three consecutive and seven total years of board service. (Current law limits board service to five consecutive and ten total years of service). However, this change may be too restrictive. In many CAA's this proposed limitation on board service will effectively limit board service to one term. Although turnover within the board is healthy, two terms of service by legitimately selected membership can provide effective representation and leadership, and also increase the continuity of programs and the CAA board itself.

The Advisory Council was concerned about the feasibility of CAA services adapting to the changing needs and problems of low-income communities. The Council recommended that an annual poverty assessment be implemented in each CAA community. An annual needs assessment is now provided for in CSA regulations. Many CSA's have developed sophisticated, yet inexpensive and easily administered assessment techniques. These techniques should be shared with all grantees, and technical assistance should be provided by CSA in the implementation or improvement of the needs assessment process. CSA should also monitor the outcome to assure that program changes are made accordingly. Once this capability is substantially in place throughout the country, CSA will have an effective national poverty information clearinghouse, as discussed below.

The Advisory Council's recommendation concerning a comprehensive review by CSA of the agency's regulations is appropriate. Such a review should occur at least annually.

The Employment, Poverty, and Migratory Labor Subcommittee Staff, like the Advisory Council, found an impressive record of research and demonstration, innovative program design, and comprehensive service integration initiated by many local community action agencies. This is particularly interesting since this progress has come about during a period of declining visibility and effectiveness on the part of the anti-poverty program at the national level. CSA should promote the successful ventures of its CAA's and build national program, planning, and research models. and demonstrations upon these successful local activities. CSA should also use the resources of the extensive local agency network, which plans for and serves the needs of nearly two-thirds of the nation's poor people, to establish a national information clearinghouse on the needs and concerns of the nation's low-income residents and the programs which demonstrate the greatest success in serving those needs.

The administration of Section 232 research and demonstration funds should be returned to the authority of the CSA Director with the funds primarily directed to innovative activities at the local level.

COMMUNITY ECONOMIC DEVELOPMENT

The Community Services Administration, under authority of Title VII of the Economic Opportunity Act, assists forty-three community economic development corporations throughout the country. In fiscal year 1978 the agency received appropriations of $48.2 million for this purpose.

Community development corporations (CDC's) are private, community-based organizations controlled by and responsive to the residents of urban neighborhoods and rural communities suffering from high levels of poverty, unemployment, and physical deterioration. The majority of a CDC's board of directors are democratically selected representatives of target area residents, with the balance comprising representatives of the business and financial community.

The purpose of these local development corporations is to plan and implement a comprehensive economic development program which will produce jobs, increased income, ownership opportunities for community residents, reduce dependency, and improve the living environment. In pursuing such a program, a CDC carries out the following three types of activities: (1) *community development*, including employment, social services, supportive training; (2) *physical development*, including property acquisition, housing construction, rehabilitation, management; and (3) *investment development*, including investments in loans, loan guarantees, or technical assistance to for-profit businesses.

Findings and Recommendations

The General Accounting Office (GAO) has been studying the Community Development Corporation Program for over a year. A formal report is expected in the next months. The GAO presented testimony at the oversight hearings of the House Manpower and Housing Subcommittee which outline the GAO's initial findings concerning Title VII programs.

The GAO found that the success of programs funded under Title VII in attaining financial self-sufficiency has been limited. This is apparently true both in terms of individual ventures and community development corporations themselves. The GAO found that CSA had no time limit or guidelines to determine how long program support of individual ventures should continue before they reach profitability and become self-sufficient. The GAO also found that CSA's quarterly reporting system for CDC's did not yield adequate monitoring data for CSA to assess program impact and achievement of performance goals.

The August 1977 Collins Report recommended that expansion of the Title VII program be delayed until adequate program design and monitoring techniques were in place and that CSA review its policy on the use of Title II funds for economic development activities.

Agency Response to Date

The agency has responded to these recommendations in an aggressive manner. The CSA Office of Economic Development (OED) took the following actions to improve the management of the Special Impact Program and the performance of community development corporation:

Classification of CDC's.—The 36 CDC's beyond the initial planning stage have been carefully analyzed and classified into three groups according to performance level: *Operational* (viable management structures and ventures), *Transitional* (limited track records or presence of significant management/venture problems), and *Probationary* (such severe deficiencies as to warrant discontinuation of OED support). The classification system permits development of specialized policies and strategies tailored to each group.

Funding Policies.—OED has discontinued automatic two-year refundings of CDC's, including forward-funding of venture capital. Only operational CDC's will continue to receive two-year administrative refundings together with venture dollars. Transitional CDC's will be funded only for one year, without venture dollars. Probationary CDC's will be either discontinued or extended on available funds. A separate Competitive Investment Capital Fund has been established. CDC's can apply for money from this fund on a case by case basis as finished business proposals are submitted, rather than receiving unallocated venture dollars as they did in the past, thereby reducing unexpended venture fund balances and insuring greater OED control.

OED Reorganization.—OED has completed a reorganization plan, now being implemented, which provides for increased staff accountability, improved decision-making process, and adequate checks and balances. Technical assistance functions have been separated from monitoring functions, thereby increasing objectivity as well as insuring adequate support for grantee needs. A senior council of OED managers has been established to review all policy and funding recommendations prior to final decision by the Associate Director. Total staff has increased, particularly in professional skill categories such as business analysts. Staff training programs also have been instituted.

Training and Technical Assistance.—Renewed emphasis has been placed on technical support to grantees, to provide solutions as well as to identify problems. National contracts have been negotiated to provide needed training and technical assistance. The OED network of support grants (specialized groups providing legal assistance, training, and policy research) has been reorganized and placed under one OED division and their roles more carefully defined and coordinated. Specialized contracts will be let as needed to meet needs of individual CDC's.

New Funding Decision Process.—A new process has been developed to strengthen OED decision-making regarding CDC fundings and refundings. A step-by-step timetable has been developed for monitoring grantee compliance with prior grant conditions, OED regulations, and grant requirements, and for measuring program performance against specific, quantifiable objectives and milestones. All refundings will be based upon structured field reviews, analysis by OED's senior council, and review by CSA's Project Review Board. Grants and ultimate release of funds will be withheld if all management systems are

not satisfactory, audit requirements have not been met, or the grantee is deficient in submitting required reports. An improved system has also been instituted for tracking and reviewing business proposals submitted for feasibility analysis.

Management Information System.—One of the most serious deficiencies in past OED management has been the absence of an adequate data base for either program evaluation or funding decision-making. OED let a contract in September for the design and implementation of a comprehensive management information system (MIS) for OED and its grantees. The initial design has been completed, available data collected, computerized, and validated, and the first reports and analyses are now being completed. It is anticipated that the system will be fully implemented in the next six months.

Additional Staff Recommendations

In the past, many practices engaged in by the Office of Economic Development have severely limited the ability of CDC's to operate successfully in their communities. The turnaround time on venture approval by OED has, at best, been uncertain—with delays of many months while CDC's and local businesses and financial institutions nervously wait at the local end. This delay has not been due to the need for any extensive venture feasibility studies, since these studies are done for OED by the CDC prior to submittal of a request for venture approval.

At the same time OED has reprimanded many CDC's for having large balances in their demand deposit accounts from year to year and has switched many grantees to line of credit funding (the Administration has requested a legislative provision for line of credit funding in S. 2090). Venture approval delay can damage the credibility of the CDC in its local community and inhibit its ability to do business like other business development and financial institutions. If CDC's are expected to achieve their social as well as economic impact goals, they need complete support and assistance from OED, not delays and obstacles.

OED has, from time to time, required majority equity control in the ventures of some CDC's and not those of others. If local business expansion can be accomplished through a CDC with the agreement of that business to employ area disadvantaged, provide job training, and establish a position(s) on the board of directors for CDC board members or local low-income residents, majority equity control should not be the only criterion for venture approval. The objective is to improve the economic opportunities and conditions of the low-income residents of the impact area. Acquisitions and relocations are not the only strategies. Loans and minority equity investments which secure commitments to the economic impact, social, and infrastructure building goals of the CDC can be just as important.

The lender of last resort requirement has also made many ventures all but impossible, while these same ventures have not often received private sector support after they are denied by OED. Some flexibility which would not threaten local lending institutions would be appropriate here.

The Collins Report recommended that there be a temporary moratorium on expansion of the community development program. OED has taken the right actions in its limited funding policies for transitional and probationary CDC's. However, the mature or operational CDC's should have venture capital available to them. OED should also provide funding for planning grants to communities just beginning in the economic development area. Growth of operational CDC's or opportunities for potential CDC's should not be halted because some CDC's failed. OED should build upon program successes while eliminating any failures.

ADVOCACY

Findings and Recommendations

Both the Hicks Report and the first Collins Report found that CSA had forfeited its role as federal advocate for the low-income community. The first Collins Report indicated that CSA has been excluded from councils of government which determine policies and regulations affecting millions of poor people daily. This exclusion was due, in part, to a lack of respect for the capability of CSA among other federal agencies and an uncertainty about CSA's future.

The first Collins Report indicated that CSA was not monitoring the role of State Economic Opportunity Offices (SEOO's) in pursuing policies at the State level which would be of benefit to the low-income residents of the States. In some instances the SEOO's have become an unrecognizable sub-unit of the State bureaucracy providing no more than a maintenance function while advocacy at the State level has fallen to individual CAA's or CAA associations—if advocacy is conducted at all.

The Hicks Report and first Collins Report both concluded that reorganization was the first essential step necessary to reestablish the advocacy role of CSA. The Collins Report recommended that CSA improve its stature within the Federal structure and demand input into important policy decisions. The report recommended that CSA also work to strengthen the SEOO advocacy role at the State level. Finally, it was recommended that the agency return to its role as innovator within the Federal structure for programs and services affecting the poor.

Agency Response to Date

CSA has begun to make efforts to restore its status, voice, and visibility within Federal policy councils. It has conducted a series of policy forums on poverty in the ten Federal regions with local, State, and Federal program administrators and policy makers discussing programs and problems with low-income representatives.

The agency has begun to pursue interagency working agreements with various Federal agencies and appears to be effectively using its limited dollar resources to attract the larger resources of other agencies to such agreements (much as CAA's have done so effectively in many local programs over the years).

Additional Staff Recommendations

It appears that some of the same advocacy and interagency initiatives which are occurring at CSA headquarters should also be pursued at the regional level.

The first Collins Report recommended that the advocacy capability of SEOO's be strengthened. It is necessary to point out that SEOO's are a part of state government and their advocacy in behalf of policies benefiting the poor will often be determined by their role within state government. CSA should strengthen the advocacy role of SEOO's and, at the same time, support and strengthen the advocacy capabilities of individual CAA's and state CAA associations so that the CAA's can work both individually and in concert to improve the policies and programs affecting the poor in the States and localities.

CSA-SUPPORTED ANTI-POVERTY ASSOCIATIONS

CSA had previously supported several anti-poverty associations. This situation has changed and, in fact, CSA reviewed all the community action trade associations discussed in the various reports. CSA now only permits agencies to travel to meetings or contribute membership dues to associations which are in compliance with CSA regulations.

Following is a description of the associations which existed at the time of the GAO and Collins reports and which were discussed in these reports. A summary of the findings and recommendations made by the reports is also included.

There are two professional associations in which community action agency staff, board members, and supporters participate. Agency directors have their own association, the National Community Action Agency Executive Directors Association (NCAAEDA). The general membership association, whose membership numbers approximately 5,000, is the National Association for Community Development (NACD). In addition, the National Legislative Forum is a periodic open meeting of directors and staff where legislative concerns and priorities are discussed.

The National Center for Community Action (NCCA) is a legislalative and policy research group which is funded by a CSA grant of over $500,000 annually. The Center has a staff of nineteen. Its board is made up of community action agency directors, staff, and persons affiliated with organizations interested in the anti-poverty program.

There were two "lobbying" organizations. The National Community Action Trust Fund (NCATF) was created by the NCAAEDA and NACD to coordinate the lobbying efforts of the "CAP World." Its board was made up of representatives of the regional and national structures of the two professional associations. The Trust Fund was not a registered lobbying organization and apparently conducted no direct legislative advocacy. Communities in Action Together (CAT) was a registered lobbying organization and engaged in direct legislative advocacy and direct contact with elected representatives and congressional staff. The board was made up of ten regional representatives, one from the Director's Association Steering Committee in each region. The board also selected an additional representative from each region and five representatives at large.

This proliferation of anti-poverty related organizations was unusual within the Federal structure in that all the organizations focused almost exclusively on the programs of the Community Services Administration, whose total budget for fiscal year 1978 was only about $600 million. These various national anti-poverty organizations were a result of and response to the Nixon Administration's efforts to dismantle the Federal anti-poverty agency (OEO).

Findings and Recommendations

Both the GAO report requested by the Manpower and Housing Subcommittee of the House Government Operations Committee and the subsequent October 1977 Collins Report (the second Collins Report) concerning the "SCA-Supported Anti-poverty Associations" identified association internal management problems, substantial travel and entertainment expenditures by association presidents, and apparent diversion of CSA funds to lobbying efforts.

A portion of the funds which the two professional associations dispersed came indirectly from Federal anti-poverty funds. Agency memberships and association conference fees (as well as travel to association functions) were allowable expenses of local community action agencies.

In the past, CSA had refrained from requiring professional association compliance with CSA travel and reporting regulations, maintaining that the associations were private organizations which did not receive CSA funding.

Although the NCCA, as a grantee, is subject to CSA regulations and requirements, the Collins Report found that a 1977 CSA directive requiring the Center to terminate its use of NCCA facilities and resources in support of the NCAAEDA and the Trust Fund (a lobbying organization) was initially resisted by the Center and was not completely complied with for approximately seven months.

The second Collins Report reveals that the leadership of the various national anti-poverty organizations were essentially a small group of community action agency directors, many of whom served simultaneously on several boards of the national organizations. The past president of the NCAAEDA, for instance, simultaneously held all of the following national positions: NCAAEDA President, member of the Legislative Forum (the NCAAEDA President appoints the Forum Chairperson), Chairman of the Board of the National Community Action Trust Fund, member of the Board of the National Center for Community Action, and ex officio member of the NACD Board. The past president of the NACD simultaneously held all of the following positions: President of NACD, Executive Director of NACD*, Board member and officer of the Trust Fund, member of the Board of the NCCA, and ex officio member of the Board of NCAAEDA.

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*The NACD Board created the position of Executive Director and hired the past president at an annual salary of over $40,000. This action came shortly after he resigned as executive director of his CAA. CSA subsequently suspended the CAA after identifying substantial amounts of unpaid agency debts and the mismanagement of agency funds during the years the past NACD President/Executive Director was executive director of the CAA.

The second Collins Report and the GAO Report identified questionable activities regarding each of the national anti-poverty organizations. It should also be noted that, in developing information for its report, the House Manpower and Housing Subcommittee had been assured by the various organizations that each would make its records available to the Subcommittee. The NCCA and CAT voluntarily provided their records, but NCAAEDA, NACD, and the Trust Fund did not. The Subcommittee then subpoenaed the records of the professional associations and the Trust Fund. These groups did not comply with the original due dates and did not contact the Manpower and Housing Subcommittee to offer an explanation for failure to comply.

The following is a brief summary of the problems identified in the second Collins Report and the GAO Report.

NCAAEDA

A total of $31,000 was spent on NCAAEDA related travel and entertainment by the past association president in two separate time periods of approximately one year each. Between October 1975 and January 1977, the past president was in travel status for NCAAEDA 43 percent of available work days while he was the full-time executive director of a local community action agency. He attended various events on behalf of NCAAEDA in several resort areas and traveled to a regional CAA directors' meeting in Hawaii which had been canceled prior to his departure. (He remained in Hawaii six days.)

The past president's expense vouchers were not always adequately documented in the opinion of the Association's treasurer, and were sometimes challenged by the treasurer. The past president sought and received a board resolution directing the treasurer to pay all presidential travel expenditures as submitted. The past president's travel schedule was apparently not approved by or reported to the Association board.

The Association apparently paid fees totaling $37,000 to a single-person consulting firm to coordinate the 1976 national conference of the Association (the Association has a membership of about 500 directors). The consultant contract was apparently not competitively bid.

The Association and CSA had no mechanism for evaluating the benefit of Association conferences and conventions to the training and professional development of participants.

The past president established a separate Association bank account which, contrary to Association by-laws, did not require the treasurer's signature.

Since these problems have been identified, the past NCAAEDA board instituted a process to insure that NCAAEDA's records would be in order and accessible to appropriate parties and to assure that payment of travel, consultant fees, and expenses would be subject to audit by a recognized national firm. The Association moved to correct the recent history of problems by voting to hold a referendum on a special election of officers at its November 1977 annual meeting. The full membership expressed its support for a special election and subsequently elected a new slate of officers.

NACD

In the first four months of 1977, the past NACD president spent $10,451 in NACD funds on his travel and expenses. During the same period, he was in travel status 54% of the available work days while he was a full-time executive director of a local community action agency. There were instances of high accommodation and hospitality charges, insufficient documentation of expenses, and at least one apparent overpayment of travel expenses to the past NACD president.

The NACD had three separate bank accounts simultaneously, and payroll was drawn against all three. There were eight instances in which NACD employees apparently received multiple paychecks for the same period from two separate bank accounts.

NACD committees and the board kept extensive meeting schedules, and on numerous occasions these meetings were scheduled in high cost or resort areas. The past president was questioned on this practice by CSA, the Manpower and Housing Subcommittee, and his own NACD board. His response was that he was trying to expose anti-poverty workers to places and experiences they would not normally encounter.

The NACD could not be considered broadly representative of the various constituencies of community action, with a small group of large agencies (including, particularly, the past president/executive director's former CAA) dominating membership and conference attendance. In 1975, five CAA's accounted for 28 percent of all conference registration fees.

The NACD election and balloting process was plagued with difficulties every year and at least one NACD regional affiliate charged that this was a strategy on the part of incumbents to maintain their positions. This same regional affiliate also charged that the nominating process is a closed one controlled by incumbents. In 1977, the only active candidate opposing the incumbent president ran as a "write-in" candidate.

The Community Services Administration charged that in 1975 the past president/executive director used $3,500 of his former CAA's anti-poverty funds to purchase 700 NACD memberships prior to the election in that year. He was elected by fewer than 100 votes.

NCATF

The GAO determined in at least one instance that Federal anti-poverty funds from a state community action association were sent to NCATF, a lobbying organization.

There were several instances in which the NCATF's former national coordinator apparently wrote large checks payable to cash, endorsed them herself, and received multiple biweekly paychecks. The NCATF's officers and attorney were unable to locate the former national coordinator after the last of these transactions occurred.

The NACD (whose funds come partially from fees paid by local community action agencies with Federal anti-poverty funds) made a loan of $5,000 to NCATF for lobbying purposes, which has apparently only partially been repaid.

In the first sixteen months of operation the NCATF disbursements amounted to approximately $41,000. It appeared from information submitted in response to the House Manpower and Housing Subcommittee subpoena that the only benefits NCATF provided to contributors during that period were six "action alerts" which were mailed to most community action agencies. The alerts essentially paraphrased legislative information generally available in other anti-poverty and human service association newsletters.

The NCATF did contract with CAT, the only national community action organization which conducted direct lobbying, but disbursements to CAT amounted to only $2,900—or 7 percent of the NCATF total.

NCATF funds came from voluntary contributions of low and moderately salaried local community action workers who had no direct elective control over the board of the NCATF and who apparently received little information about the activities of the NCATF or its staff.

NCCA

The NCCA received an annual grant of $500,000 for policy related research, training, and technical assistance. The NCCA periodically publishes a newsletter which reviews issues of interest for community action and conducts some regional training and technical assistance sessions which some participants have found to be of professional and programmatic benefit.

The NCCA (partly at the direction of its board, which overlapped with those of other national anti-poverty organizations) involved itself in disputes concerning the NCAAEDA and the NCATF. The NCCA, contrary to the instructions of CSA, provided space, staff support, and resources to the NCAAEDA. The NCCA provided office space and resources to the NCATF, a lobbying organization. A CSA directive to NCCA requiring termination of these arrangements was initially resisted by the Center and was not totally complied with for seven months. A call to NCATF offices by the staff of the Employment, Poverty and Migratory Labor Subcommittee on October 12, 1977, determined that the lobbying organization had indeed relocated from the NCCA headquarters, but the staff of the NCATF indicated the move had only taken place the previous week. CSA had first directed that the co-location arrangements be immediately terminated in the first week of March 1977.

CAT

CAT voluntarily provided its records to the Manpower and Housing Subcommittee, but its records prior to April 1976 were in the possession of the U.S. Department of Justice and were not available for analysis by GAO or the Subcommittee on Manpower and Housing.

Agency Response to Date

The new leadership at CSA began to address these problems as soon as they were properly documented. In September, prior to completion of the GAO Report and the report of the Government Operations Committee, CSA Director Grace Olivarez wrote all community action

agency directors announcing a moratorium on the expenditure of CSA funds in support of the two professional associations until such time as the leadership of the organizations changed and the proper regulatory and audit safeguards were put in place. The Director's letter identified serious administrative and management problems in the local agencies of the presidents of the two professional associations.

Regulations were published requiring prior CSA approval of agency travel to association functions and CSA approval of all professional associations which receive dues and conference fees from CSA local grant funds.

Additional Staff Recommendations

A need exists for strong, independent professional and advocacy associations which relate to the programs, employees, and supporters of the national anti-poverty program. However, the past proliferation of organizations, whose leadership and control had fallen to a few CAA directors, was detrimental to the anti-poverty program.

In previous years, NACD had gained a reputation as a viable national human service and community development organization whose issue papers on a variety of national program and policy issues were widely read and respected. NCAAEDA was a respected professional association with an emphasis on training and technical assistance for its membership and their agencies and a specific focus on the community action program. It is unfortunate that both organizations appear to have relinquished these important roles.

CSA has already taken strong action to correct identified problems and abuses. CSA must continue to be firm with the professional organizations until leadership and procedures are changed. However, CSA should be careful that it does not, through its remedial actions, prevent the possibility of viable, independent associations.

Staff make the following additional recommendations to the anti-poverty organizations and CSA:

Board members of one national anti-poverty organization should not serve on the boards of other national anti-poverty organizations. This policy would be beneficial in the case of the two professional associations and is essential in the case of the board of the anti-poverty lobby. CSA has taken actions which should discourage excess travel and the ability of local directors to serve on more than one anti-poverty organization board. CSA regulations now require that all grantee travel be identified in each grantee's annual work plan, which must be approved by the grantee board and by CSA. Travel out of the region now requires a separate line item in the annual budget with specific destinations and justifications.

It is common practice for small trade and professional associations to organize and coordinate their own conferences with their own staffs. Given the apparent $37,000 cost of a consultant to coordinate the conference of the 500 member NCAAEDA, this common practice of other trade associations makes good financial sense.

No board member of a national anti-poverty organization should be a paid employee of that organization. This is particularly true if the professional associations receive research, training, and technical

assistance grants from CSA, as was suggested above. Very high salaries for the employees of anti-poverty and professional organizations do not contribute to a positive image of those organizations.

The records of each of the national anti-poverty organizations should be kept in good order and should be audited annually by a reputable firm. These records should be open and available to appropriate parties. CSA travel policies should be used as internal guidelines by each organization. Separate accounts should be kept by the professional associations for receipts derived from private sources and those from Federal anti-poverty funds. Disbursements for necessary entertainment should be made from a non-public fund account.

PART III: THE HEADSTART ALLOCATION FORMULA

Funding

During the review of the Economic Opportunity Act (EOA) Amendments of 1977 by the House Education and Labor Economic Opportunity Subcommittee, concern developed regarding the HEW application of the statutory formula for distribution of Headstart funds to the States.

The Subcommittee requested a report from the Congressional Research Service concerning the effects of various formula options being considered by the Subcommittee in the 1977 EOA Amendments. CRS discovered, and GAO later confirmed in a legal opinion, that the Department had not followed the existing statutory formula in its planned allocations for fiscal year 1978. CRS found that HEW had misinterpreted the formula by applying the hold-harmless out of proper order and had projected cost-of-living increases for each State before applying the formula requirements to available funds.* This plannned allocation would have resulted in sixteen states receiving less than these states were minimally guaranteed under the formula.

House and Senate staff members conducted several hours of negotiating sessions with HEW's Administration for Children, Youth, and Families regarding the application of the statutory formula. HEW finally agreed to accept the Congressional interpretation of the formula, which CRS and GAO had correctly identified.

The agreement reached on the correct reading of the formula procedures is as follows:

(1) Up to 2 percent set aside for the territories;

(2) Up to 20 percent set aside for the Secretary's discretionary reserve;

(3) Distribute 50 percent of the remaining funds among the States based on the relative number of public assistance recipients in each State compared to all States. Distribute the other 50 percent of the remainder among the States based on the relative number of related children living with families with incomes below the poverty line in each State as compared to all States; and

(4) If after completion of the above steps any State has less than the amount obligated for use by Headstart programs in the State for fiscal year 1975, such States should be increased to the fiscal year 1975 level. This hold-harmless provision could be ac-

*The CRS Report and other Headstart documents may be found in Appendix H.

complished by either ratably reducing all states over the hold-harmless level or through the use of discretionary funds.

However, no agreement could be reached on what the effective hold-harmless level actually should be. Even though the statutory formula specifically prescribed fiscal year 1975 as the hold-harmless level, the Appropriations Committees in fiscal year 1976, fiscal year 1977, and fiscal year 1978 had indicated in report language that all existing grantees should receive cost-of-living increases. In addition, the question of which States should receive a fiscal year 1978 cost-of-living increase was also an issue which could not be settled.

Members of the House Education and Labor Economic Opportunity Subcommittee did reach agreement on what they believed to be the correct application of the formula, the hold-harmless level, and cost-of-living increases. In a letter to Secretary Califano dated November 30, 1977, the Subcommittee indicated that Headstart funds should be distributed in the following manner:

STEP ONE

Of the sums appropriated for fiscal year 1978, up to 2 percent will be withheld for allocation to the Territories. Up to 20 percent of the appropriation may then be reserved for discretionary funding. Of the remaining money, one-half is to be distributed on the basis of the relative number of children living with families below the poverty line in each State as compared to all the States; and one-half on the basis of the relative number of public assistance recipients in each State as compared to all the States—except that no State is to be allocated less than it received in fiscal year 1975.

STEP TWO

For those States whose fiscal year 1978 entitlements in Step One are less than their actual fiscal year 1977 allocation, funds from the Secretary's discretionary reserve are to be used to bring such States up to the level of their fiscal year 1977 allocations.

STEP THREE

Additional discretionary moneys are to be used to give every State a 6-percent cost-of-living increase. With respect to those States whose fiscal year 1978 entitlements exceed their fiscal year 1977 allocations, an amount equal to 6 percent of the fiscal year 1978 entitlement is to be added. With respect to all other States, an amount equal to 6 percent of the fiscal year 1977 allocation is to be added to the fiscal year 1977 level.

The Senate authorizing committee did not indicate to HEW its concurrence with the suggested distribution formula. Although HEW indicated it was not in complete agreement with the House suggestion, HEW distributed the fiscal year 1978 Headstart funds according to the House suggestion.

The controversy over the Headstart distribution formula continues. The States which benefit from the hold-harmless support the continuation of a hold-harmless provision along with cost-of-living increases. There are many other States, however, which benefit from the actual formula and now realize that the hold-harmless prevents these States from receiving the expansion money they would if all funds were distributed under the formula only.

Appendix A

REPORT TO THE SENATE

SUBCOMMITTEE

ON

EMPLOYMENT, POVERTY AND MIGRATORY LABOR

FROM

Graciela (Grace) Olivarez
Director

COMMUNITY SERVICES ADMINISTRATION

On September 20, 1977, in response to the House Government Operations Committee Report "Major Reforms Needed in the Community Services Administration" (H. Rpt. 95-583), CSA Director Graciela (Grace) Olivarez observed

> "Since assuming the duties as Director of the Community Services Administration (CSA) on April 29, 1977, I have been carefully reviewing and assessing the agency's renewed commitment to the Nation's poor and their needs in the late 1970s and 1980s. Ours is a mission unique in the Federal government, intricately interwoven with the patchwork array of public, private, Federal, state and local attempts to deal with poverty. I strongly believe effective, committed leadership and direction are prerequisites to achieving the goals of alleviating poverty.
>
> Reviewing the operations of the agency, and its proper role at this challenging time in our history has been a constructive and edifying experience. As the Committee is no doubt aware, this process began early in the Carter Administration when a team from the White House was asked to undertake a review of CSA for the President. The initial assessments and recommendations of this team provided me, and the new management team I assembled, with a good overview of the agency and the framework for a more extensive and comprehensive look at its strengths and weaknesses.
>
> Hand in hand with this assessment went a policy evaluation of the needs of the poverty community and this Nation in addressing the problems poverty currently presents. Both of these assessments are continuing and both have already made important contributions to our initial directions and decisions for improving CSA's day-to-day effectiveness, as well as its overall impact in the poverty community."

POLICY DIRECTIONS

In the past ten months the Community Services Administration has greatly improved its management, administration and program operations. The deficiencies at CSA cited in congressional reports have been corrected or are in the process of being remedied. Moreover, new, encouraging program initiatives have been undertaken.

The bleak history of the past several years surrounding CSA is now, for the most part, in the past. The present and future belongs to a new administration which is firmly committed to the Agency's mission of spearheading the war on poverty in America.

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This agency has begun to revitalize its research and demonstration capacity and is seeking the cooperation of other federal agencies in the commitment of resources to innovative demonstration programs addressing the needs of the poor. CSA has traditionally been the federal agency which has served as the national laboratory for innovative human service programs addressing the needs of the poor. Programs such as Headstart, Job Corps, Legal Services and Home Weatherization were tested and developed at CSA. CSA has renewed this emphasis on the development of innovative approaches to dealing with poverty problems and then "spinning off" workable programs to the appropriate agency or institution for sustained and expanded operation. The latest example of this approach is the weatherization program which, after being piloted at CSA, is being taken over by the new Department of Energy.

CSA is, by design, a small agency in federal terms. It is able to move with flexibility and imagination. As such, it has the need to mobilize external resources to bring them to bear on problems of poverty. The Agency has begun to move vigorously to make the various Executive Departments increasingly aware of their responsibilities to the poor. The Agency's Office of Policy, Planning and Evaluation's recently completed impact analysis of the "non metropolitan" Community Development Block grants of the Department of Housing and Urban Development is just one example of such action.

These findings can be used to help the Department better focus its available resources upon the needs of poor people in the areas served by these grants. The information has been shared with HUD and other interested organizations.

The agency has also recognized the importance of increased participation by the poverty community in decisions affecting their lives and communities. To emphasize this commitment and to take the first step in this ongoing process, the Agency recently held a series of ten public policy forums, one in each Federal Region. Nearly seven hundred individuals participated in these forums and most were poor people rather than representatives of poverty organizations. The testimony is now being analyzed and a report to the President, Congress and the public is being prepared for completion by March 31, 1978.

The priorities identified and the concerns expressed by the poor themselves will serve as the basis for agency policy and directions in the future.

IMPROVED MANAGEMENT

The most consistent criticism of the CSA in recent years has centered around the agency's ability to efficiently and effectively direct and manage the resources available to it for combatting poverty. A primary concern of Congress has been the agency's repeated failure to implement an adequate internal reorganization and higher standards of performance.

REORGANIZATION

When Graciela (Grace) Olivarez assumed the position of Director in April 1977, she discovered that a proposed organization plan, dated July 1976, had been approved by the Office of Management and Budget, as was required by the Community Services Act of 1974. After review of the structure, it was determined that further clarification was necessary to reflect, from a management standpoint, the priorities of the new Administration. Director Olivarez ordered an immediate evaluation and review of the existing structure and functions of the agency, separated into two components: Headquarters functions and Regional Office functions.

In order to review these matters, a detailed assessment process was begun which included evaluations through personal interviews with every employee in the Regional Offices and most in Headquarters Offices. As a result, starting on July 29, 1977, a new series of agency instructions began to be issued, setting forth the new Headquarters realignments in terms of structure and function. This included the detailed, new organization charts. As a result, the Headquarters reorganization is in place structurally. A detailed plan for the Regional Offices was completed in the Fall of 1977.

The highlights of what the new CSA organization provides are as follows:

. Clarifies the role of the Office of Community Action (formerly the Office of Operations) in planning, administering and evaluating CSA programs funded under Title II, Community Action Programs, and provides a focal point for guiding and monitoring the operations of the ten Regional Offices.

. Creates an Office of Policy, Planning and Evaluation (OPP&E) which reports to the Director and provides the Director with coordinated policy recommendations based on input supplied by the Assistant and Associate Directors and Regional Directors. OPP&E also exercises provisions authorized by Title IX of the Economic Opportunity Act of 1964, as amended, and conducts Agency evaluations consistent with the Act.

. Creates a new Office of Management which combines the former Office of Administration and the Office of the Controller. Functions now located in the Office of Management include: Information, Management and Systems; Labor/ Management Relations; Administrative Services; Personnel; Internal Audit; Procurement; Data Processing; Financial Management; Fiscal Systems and Payroll; and Budget and Program Analysis.

. Changed the title of the Office of General Counsel to the Office of Legal Affairs and General Counsel and added the following additional responsibilities: Labor/Management and Personnel Division which will provide legal advice and counsel to the Office of Management and to the Human Rights Division on personnel administration and equal employment policies; Human Rights Division

which formerly stood as an office is absorbed entirely and deals with matters of discrimination in employment, affirmative action and EEO; External Audit Division which (formerly under the Office of the Controller) continues to appraise the financial integrity of CSA grantee fund administration.

. Strengthened the Office of Economic Development to administer CSA's responsibilities under Title VII, Community Economic Development.

. Created a new Office of Interagency and External Affairs which recommends to the Director policies, plans and programs to coordinate or influence the activities and resources of Federal, State and Local governments and the private sector in combatting poverty.

. More sharply defined and clarified the roles of the Office of Public Affairs and the Office of Legislative Affairs.

A major component of any reorganization is insuring that the individual employees are working in jobs that need to be done and performing those jobs in an efficient and acceptable manner. To that end, the agency requested and received, special authority from the U. S. Civil Service Commission which will allow CSA to address that problem.

STANDARDS OF PERFORMANCE

It was clear that the procedures in place to evaluate Agency personnel had suffered from mal-administration and disuse. Therefore, a task force of key agency officials was established and ordered to produce a new set of procedures addressing the question of performance evaluation and supervisory accountability. Since that time, the agency has instituted new supervisory training programs, which are of a continuing nature, and is presently refining the draft proposals for performance evaluation as well as requesting additional technical assistance from Personnel Specialists with the Civil Service Commission.

As a continuing part of the effort, the agency has instituted a new series of training programs for key employees, especially the field representatives at the various Regional Offices. The Office of Community Action, in coordination with the Headquarters Training Office, has begun multi-level training of field representatives, i.e., advanced subject matter for the senior individuals and more basic subject matter for new or less senior field representatives. To date, half of the Regional Offices have conducted this training. It is anticipated that the other five Regional Offices will conduct this training over the next few months. Also, it is anticipated, that immediately following the completion of the reorganization, a study will be made of the work of the field representatives including a task analysis to identify critical areas of training needs for future and on-going nationwide training.

Training for agency managers and supervisors on the topic of Labor-Management Relations has been conducted beginning in October 1977. These

training sessions have been successfully conducted at Headquarters and Regional Offices with near-perfect attendance by all managers and supervisors. These training sessions were completed in March 1978 with a special session for CSA Executives at Headquarters.

As for support staff, training programs are being scheduled.for the secretarial and clerical employees to update their skills, knowledge and abilities focusing on agency policies and procedures. It is anticipated that this training will be conducted from March through May 1978. Specific areas of concentration are team building, timekeeping, travel processing and Congressional correspondence. As an adjunct to the latter, the Training Office has initiated a complete revision and updating of the agency's correspondence manual with the view towards simplifying, standardizing and streamlining the policies and procedures for receiving, generating and processing correspondence at CSA. This new manual will serve as a training tool for upgrading secretarial and clerical capability and effectiveness.

Last, but not least, the Training Office is negotiating an agreement with the Civil Service Commission to conduct Upward Mobility training. In preparation for this training, the Training Office has conducted Reading Development and Communications skills training to enhance the potential of Upward Mobility employees once the program begins, hopefully in May 1978.

There is clear commitment on the part of this Administration to develop and insist upon the highest standards of performance from CSA employees; the above-mentioned specifics are but the first step in these efforts.

MONITORING AND EVALUATION

Congressional reports also urged a high priority on monitoring, review and evaluation efforts with respect to programs administered by the agency.

In response to these concerns, the agency has built its evaluation research capacity and developed an overall evaluation strategy. The key elements of the strategy that have been implemented thus far are (a) evaluation of national emphasis programs (b) on-site assessments of grantees on a one-to-one basis and (c) improvement in grantee reporting and self-evaluation systems and (d) interagency studies.

Among the national emphasis programs, there are on-going evaluations of the Community Food and Nutrition Program and the Rural Home Repair program. A combination needs assessment and program evaluation is being conducted for the FY 77 Special Crisis Intervention Program. An evaluation of the National Center for Community Action was completed in early January. An impact evaluation of the weatherization programs supported by CSA is in the design stage.

The CSA Regional Offices are undertaking assessments of selected Community Action Agencies and Limited Purpose Agencies. These one-to-one

on-site assessments are being supplemented by a national evaluation of the State Economic Opportunity Offices, which is scheduled to begin in early May. All 51 SEOOs will be included. A sample of Community Development Corporations has been evaluated over the past year by an independent third party contractor. Those findings in conjunction with a study of the Community Economic Development Program design alternatives will be used as the basis for an impact evaluation which is scheduled to begin later this Fiscal Year.

To assist grantees in setting realistic goals and reporting accurately on progress, the agency has produced a guidance manual on how they can meet the agency's legislated standards of effectiveness. The policy instruction on grantee reporting has been revised to emphasize greater involvement by local Boards of Directors and focus on goals and results rather than compliance issues.

Recent products generated as a result of the agency's renewed emphasis on evaluation research include a study of the effects of Community Development Block Grant programming on non-metropolitan areas, a paper submitted to the recent White House Conference on balanced national growth and the needs of the low income population, and an exploratory study of ways to remove barriers and improve accessibility to public places for the low income handicapped population.

GRANTEE ACCOUNTABILITY

Essential to the achievement of the CSA's community action mission is the fulfillment of the administrative responsibility of the agency to oversee its grantees and insure the effective expenditure of Federal funds through increased technical assistance, sufficient field staff for monitoring and review, increased quality controls of audits, and increased, and better coordinated, audit and inspection functions.

Upon official activation of the Training and Technical Assistance Division in the Office of Regional Operations, the following outline of activities will be implemented under a national training and technical assistance strategy:

. Regional Office personnel will provide a regular program of training for grantees. CSA auditors will do a Training and Technical Assistance (T & T/A) session for auditors who serve CAAs. CSA regional offices will also conduct T & T/A for CAA boards, Executive Directors and selected staff members. These sessions will stress the responsibilities and duties these individuals have and various management models that have been successful in the past. There will also be training sessions conducted by the Regional Offices in property management, personnel management and accounting systems. The effort will extend throughout FY 1978.

. The CSA has conducted an extensive study of its Regional Offices. The recommended plan for regional office reorganization was submitted in October, 1977, for approval. Upon final notice from the Office of Management all elements of that plan will become operational. The new structures, systems and procedures will reduce the clerical work imposed on field representatives so that they can spend more time in the field with grantees. The retraining of on-board field representatives and basic training for new regional office staff will be an important part of the implemented plan.

. A new and concise system for grants management, beginning with reactivation of grass roots advocacy planning by the grantee and continuing with streamlining of forms and procedures, will vastly improve the existing ineffective means of giving the grantees to better performance and compliance. Automated data systems are in the design stage and, with a terminal in each regional office, the control network will be complete. Clear assignments of responsibility for reviewing documents at every step of the grants-making process have been described in the plan and other related strategy papers.

. In conjunction with the requirements of OMB Circular A-110, "Uniform Administrative Requirements," CSA has implemented revised self-evaluation and reporting procedures which will (a) simplify the way information is reported (b) tie reported information to the grantee's program goals and the CSA standards of effectiveness (c) schedule program reporting to coincide with financial reporting. These steps should make program progress reporting more useful and timely for both the grantee and the CSA Regional Offices. Finally, CSA Regional Offices will be required to review grantee program progress reports as part of the process of certifying that they are meeting the CSA standards of effectiveness and are therefore eligible for refunding.

COMPLIANCE PROCESS

On August 9, 1977, the House Committee on Government Operations reported that CSA had more than $29 million in unresolved questioned costs from audits going back to 1970. In addition to clearing up the backlog of unresolved audits, the committee recommended the scope of audit activities be expanded to include a training program for both agency and grantee financial personnel, as well as CPA firms hired to conduct grantee audits. It was also recommended that the agency develop a program to emphasize complete implementation of Federal Management Circular (FMC 7302) with the view of developing a program of single audits for multi-funded grantees. And finally, the committee recommended that CSA develop a program of contracting directly with CPA firms rather than allowing grantees to engage their own CPAs. Prior to the issuance of the Report, CSA had already placed a high priority on its monitoring efforts by reorganizing the formerly separate Inspection, Audit, Human Rights, and General Counsel Division inton one office to serve as the enforcement arm of the Agency. This office, the Office of Legal Affairs and General Counsel is now headed by a Presidentially appointed Assistant Director who has been delegated the responsibility for insuring that CSA law and regulations are

religiously followed by CSA employees and grantees. The new office has received substantial increases in staffing in order to carry out its new mandate.

Among the changes already accomplished or currently underway in the new Office of Legal Affairs are the more flexible use of partial non-refunding or suspension of funds rather than limiting CSA to the single option of terminating all funding, which is so severe a measure that it was at times in the past used as an excuse for doing nothing. Access to all appropriate bank accounts, both CSA and private, will be assured by either regulation or grant conditions. Where an illegal expenditure of CSA funds by a grantee results in certain individuals illegally receiving such funds, they will be recovered by means of civil lawsuits initiated by the agency against the individuals, rather than by merely disallowing grantee expenditures. Legislative changes have been suggested and proposed by the Administration which will clarify CSA's legislative authority over the control of funds awarded for economic development corporations. Title II funding of economic development is being brought under control. Conflict of Interest regulations are being strengthened. New, more responsible travel regulations and membership dues regulations have been published. The regulations regarding payroll deductions for political activities have been formally reinterpreted and published.

EXTERNAL AUDITS

Each of the 1450 audit reports received by the External Audit Division is reviewed under current practices; also a hundred or more audits are performed directly by the staff of External Audit. Recommendations and requests based on these reviews are in each case forwarded to the responsible CSA program official for action. The new Office of Legal Affairs is now responsible for insuring a proper response to these recommendations and is establishing a systematic process for pinpointing responsibility and establishing deadlines for response and action.

The entire process of disallowing grantee costs questioned by auditors is under review by the Office of Legal Affairs with the goal of shortening the time between a cost being questioned and the agency making a binding determination.

CSA concurred in the recommendation that special attention should be paid to travel and consultant costs. This is being done by requiring the submission of a budget showing more detailed proposed expenses in cost categories, by reducing the percentage of allowable transfers of funds between cost categories, by requiring that audit reports match actual costs incurred with budgeted amounts so that any discrepancies will be highlighted, and by greatly restricting retroactive approval of costs incurred in cases where prior CSA approval is required.

In order to further tighten the allowance of questioned costs, External Audit Division will be charged with the responsibility of reviewing

on a quarterly basis a statistical sampling of the actions taken by program officials to allow questioned costs.

Regional Directors and Program Office heads are now giving priority attention to clearing CSA's records of unresolved audits, especially those outstanding for years prior to FY 1977. The Director's Office has provided specific guidance to all Regional and Headquarters Office Heads to accomplish this task.

If a grantee has not submitted an acceptable audit report for the latest full program year prior to the refunding action, agency policy will be to deny refunding until the required audit is submitted. Exceptions to this policy will be very rare and will require strong justification from the grantee.

To gain sufficient experience with the advantages and the costs of direct contracting, CSA will initiate a pilot program in a defined geographic area in which the agency will attempt to contract directly with CPA firms to audit the grantees in that area and will evaluate this approach to determine its feasibility on a broader scale. In the meantime the expanded program of quality assurance should provide an adequate indicator as to the sufficiency of CSA audits.

The agency has begun an experiment to test the concept of CSA's contracting directly with CPA firms. A statement of work to be performed under direct contract with CPA firms in the State of New Jersey has been drafted and contact has been initiated with the Small Business Administration to award contracts through Section 8A Small Business set aside program for miniority contractors. This is an alternative to increasing CSA procurement staff and CSA's administrative costs in this area.

The External Audit Division provides monthly reports to all management offices showing the status of grantee audits. These monthly reports are to be used by the appropriate program office (OCA or OED) as a guide for expediting the closing of unresolved audits. This approach requires the cooperation of Regional Office staff and the Headquarters External Audit Division. In response to the Government Operation Committee's recommendation the agency developed three goals with respect to audits: reduction of backlog with a priority on those audits more than one year overdue; expedite resolutions of questioned cost identified in audits; and more timely submission of audits.

External Audit has instituted a systematic review of the quality of grantee audits performed by CPAs. A statistically selected 10 percent sample of a total of 1,450 CPAs for review in FY 78 has been selected. This sample will provide a 95 percent level of reliability in evaluating CPA audits. Moreover, the agency has begun a program of visiting a small number of grantee locations to review their records with the view of

further determining the acceptability of CPA audits.

The agency has expanded its program of providing orientation seminars for grantee financial personnel and their CPA firms. Regional Auditors are participating in these seminars by explaining CPA audit requirements and reponding to questions and concerns of grantee financial personnel and their CPA's.

An emphasis on complete implementation of federal management circular (FMC 7302) which requires federal executive departments and agencies to enter into cross-service audit agreements in order to increase the incidents of single audits of multi-funded grantees (grantees receiving money from more than one federal agency) has begun.

Toward this end, grantees have been asked for total information regarding their funding from all federal sources. In addition, they have been asked to provide the total cost of their most recent annual audits. This information will be used in developing cross-service interagency audit agreements designed to implement the single audit approach. A major difficulty in establishing this approach, lies in the fact that CSA, unlike many other federal departments, must conduct annual audits of grantees whereas other federal departments generally have bi-annual audit of grantees.

A greater emphasis has been placed on closer coordination between External Audit and Inspection Divisions. For example, these divisions are now working jointly to accomplish the objectives of CSA Audit/Inspection Review.

INSPECTION

Inspections are routinely initiated by Chief of Inspections and General Counsel upon any competent allegation of abuse, mismanagement, defalcations or other activity in violation of federal law or CSA regulations. Political considerations have been totally eliminated from our inspection processes and we have begun to work much more closely with U.S. Attorney's Offices across the country.

Moreover, the Office of Legal Affairs and General Counsel is about to initiate its first civil fraud suit in an effort to collect funds that were illegally expended by grantees. With the cooperation of the Justice Department, the Office of Legal Affairs and General Counsel will be filing, for the first time, affirmative law suits on behalf of the Community Services Administration. CSA expects that this action will have an enormous impact resulting in much more careful grantee financial management by putting grantees on notice that CSA will no longer tolerate inappropriate expenditure of funds and will take strong action to recoup those monies.

Inspections in the General Counsel's Office are handled as follows:

1) Competent allegations of abuse or mismanagement is received in the Office of Inspections.

2) Chief of Inspection makes his recommendation to Assistant Director for Legal Affairs and General Counsel.

3) Assistant Director of Legal Affairs in consultation with Chief of Inspection, approves inspection.

4) Inspection is conducted and draft report is prepared.

5) Draft report is jointly analyzed and reviewed by inspector and attorney from General Counsel's Office assigned that responsibility.

6) General Counsel prepares recommendations and conclusions for forwarding to appropriate program office.

7) In accordance with CSA Staff Instructions program office has fifteen days in which to respond.

8) If program office does not respond within a two week period, Director sends a memorandum giving forty eight hours in which to respond. General Counsel analyzes response to ascertain whether or not proposed action is adequate to correct the situation and bring grantee into compliance with CSA regulations and federal law.

9) If proposed action is adequate, General Counsel closes file by forwarding to program office Memorandum of Agreement on proposed course of action.

10) If General Counsel does not feel that action to be taken is adequate calls for meeting with Assistant/Associate Director of the appropriate program office to work out mutually agreeable solutions contemplating programmatic needs and legal requirements.

With regard to inspections, contrary to prior administrations of CSA, as reflected in the House Government Operations Committee's report, inspections have been initiated in every case where component recommendations have been made by the Chief of Inspection.

ECONOMIC DEVELOPMENT

The other major program arm of CSA is the Office of Economic Development (OED). OED administers the Title VII Special Impact Program, under which some 36 operational community development corporations (CDCs) and 7 planning grants are funded. OED has had severe management problems in the past. These were highlighted in the House Government Operations Committee (Eighth) Report as: (1) absence of a program design; (2) inadequate data base for measuring program performance; (3) program and funding decisions on the basis of subjective and patchwork reviews; and (4) inadequate and untrained staff. In the past eight months significant steps have been taken to correct these deficiencies and others are planned or underway.

1. Absence of Program Design

   a. Problem

      Program purposes and objectives were not defined. There were no "measurable specifications to which program activities could be related." Program was basically unsusceptible to evaluation.

   b. Action Steps

      1. OED has developed a series of defined, measurable, and quantifiable program impacts against which all CDCs will be evaluated.

      2. OED has reviewed its CDCs and classified them, according to their level of development and performance.

2. Inadequate Data Base

   a. Problem

      OED was not collecting sufficient or quantifiable data on program performance. Data available were incomplete or unreliable, and much of what was needed to evaluate performance was not available at all.

   b. Action Steps

      1. Despite their shortcomings, current reports required of CDCs can provide much useful data. OED is now enforcing

total and timely compliance with reporting requirements, is providing necessary assistance to grantees in preparing reports, and is withholding funds and venture approvals where reporting compliance is inadequate.

2. OED is developing a comprehensive management information system (MIS). A contract has been let to design and implement such a system at both the OED and grantee levels. The available data base is being corrected and analyzed.

3. To ensure early and effective development of management systems among our new planning grantees, OED has let a second contract to provide technical assistance in developing personnel, fiscal, and planning systems. The contractor will also assist grantees to develop adequate management information systems by the end of the planning period.

3. Subjective and Inadequate Funding Decisions

a. Problem

. Funding decisions were made on the basis of incomplete or non-uniform standards, in which subjective judgments played a major role.

b. Action Steps

1. OED is now in the process of implementing an internal reorganization that will pinpoint accountability, centralize funding decisions in the hands of the Associate Director while simultaneously broadening the base of staff review of funding proposals, and provide necessary checks and balances.

A key feature is the separation of the program monitoring function from the technical assistance and funding function. Responsibility for providing direct technical assistance to CDCs, for developing and managing a network of outside support organizations, and for funding and managing grants on a day to day basis, will be housed in a Program Assistance and Support Division. A third division, Program Development and Demonstrations, will be solely responsible for new planning and demonstration grants which require very close surveillance. A fourth division, Administrative Services, will, among other internal management functions, be responsible for developing and maintaining the new MIS.

2. OED has developed and implemented written procedures spelling out in detail the various steps in the funding/refunding process. This system will establish a rational and completely uniform basis for decision-making and problem solving.

4. Inadequate and Untrained Staff

a. Problem

OED had insufficient staff to effectively monitor the program. Staff lacked necessary skills to perform functions.

b. Action Steps

1. OED staff ceilings under the reorganization have been increased by a net of 4 positions (from 38 to 42). Reduction of clerical staffing, enabled by the reorganization of clerical support into a central word processing unit using highly sophisticated equipment, will permit an actual increase of six professional positions, all concentrated into specialized, technically skilled jobs, including business analysts, a computer system analyst, and an evaluation specialist.

2. The greater division of labor among existing staff under the new organization will significantly increase accountability and enable a need assessment of available staff to be undertaken.

3. Specific training plans have been developed. One major training effort is already underway: 17 employees (primarily generalist program analysts) have been enrolled in a special 14-week course in Introductory Accounting. Conducted by George Washington University, for 2-1/2 hours each week, it is the first in a series of courses to enable program analysts to more effectively review and evaluate grantee audits and financial reports. It will be followed by courses in financial analysis and cost accounting. Business analysts have been enrolled in more advanced college-level training programs.

4. Recognizing limitations of current OED staff, even with expansion and training, OED is significantly increasing its reliance on outside technical assistance and support. As noted previously, two major contracts have already been let to provide intensive management and technical assistance to the new planning grants and to assist OED in the design

and implementation of an MIS. Special small contracts have also been let or are planned to provide specialized intensive assistance to probationary and transitional CDCs in meeting individual management and venture problems. All existing grants providing support services to CDCs - legal, program, and management technical assistance and staff/board training--have been grouped under one OED division where a comprehensive coordinated work plan is being developed to ensure maximum utilization of existing resources to eliminate duplication of effort and to fill indentified gaps.

5. CDC Performance

a. Problem

The absence of a full range of objective and quantifiable performance measures coupled with a lack of constant application of performance measures have had a negative effect on the program.

b. Action Steps

1. During the funding process, no work plan will be accepted unless there are detailed goals and objectives which are quantifiable, measurable, and prioritized. These goals and objectives at a CDC level will be the basis for evaluating and monitoring performance aganist plans.

2. Each component project for which funds will be released by OED must contain similarly clear, quantifiable performance measures.

3. As a first step towards a performance related approach, a detailed profile of each CDC is currently being developed that will include an analysis of:

- Board capability and needs
- Planning capability and needs
- Staff capability and needs
- Asset/Liability Status
- Management capability and needs
- Systems capability and needs, including accounting/fiscal, personnel, venture monitoring and management, reporting, local assistance, staff and board training.

4. Under review for immediate implementation, both on a policy and programmatic level, is a measurement framework grouped

into the following five areas:

- Labor (human development, employment, and income)
- Physical environment (community stability, social and community development
- Social Environment (community stability social and community development)
- Money (loans, equity and income)
- Institutions (institution-building, self-sufficiency, and a viable CDC.

As a laboratory and incubator, OED is charged with originating new approaches to economic development. OED has also been recently criticized by Congress for failing to "take the lead in developing new approaches to dealing with the problems of poverty, similar to those developed in the earlier years of OED..".

Four new programs have been implemented to meet this challenge, offering exciting alternatives to massive unemployment and to rural and Indian economic development.

1. The National Rural Development and Finance Corporation

Recognizing that the CDC model is not adequate for rural economic development, OED has awarded a $3 million grant to the National Rural Development and Finance Corporation, a coalition of over 50 organizations with combined membership of over 5 million rural poor people, to create a comprehensive, nationwide strategy for rural economic development.

2. Special Indian Development Program

Tribal ownership and native traditions are in conflict with standard business ownership patterns and institutions. In order to accomodate Indian needs and to encourage, rather than impede, economic development on reservations, all Indian programs are now being consolidated into a special developmental and demonstration program which will attempt to merge business needs with Indian forms of ownership.

3. National Center for Economic Alternatives

The recent closing of the steel mill in Youngstown, Ohio, the town's largest employer, will mean that about 5000 workers will lose their jobs. OED has awarded a seed money contract to the National Center for Economic Alternatives (NCEA) to enable them to develop a plan and to work with a coalition of religious and civic leaders to find private, state, and federal funds to enable the community, through a community/employee stock ownership plan, to buy and modernize the

steel plant and save the jobs. NCEA and OED are preparing a nation-wide program designed to forecast job losses by region and by industry. This plan will allow local communities, with NCEA help, to become aware of the impending crisis with plenty of time to mobilize local, state, and federal resources to prevent massive unemployment with all the attendant social costs before its happens.

The Department of Housing and Urban Development has been intrigued enough by the idea to add a $300,000 grant to the initial CSA money. NCEA is also negotiating with EDA, ERDA, and other federal departments to aid Youngstown.

4. Youth Employment in the Private Sector

In response to the President's concern that poor and minority youths receive rapid assistance from federal agencies in procuring employment, OED awarded $2.8 million in grants to 6 CDCs for jobs for young people. By November 1, 1977, 350 youths had been placed in private sector jobs with career potential. The success of this effort encouraged the Department of Labor and the Department of Housing and Urban Development to enter into negotiation with OED for additional youth employment programs using CDC as the prime delivery mechanism at the local level.

Recognizing the need for maximizing the impact on specific target areas through a more rational flow of resources, OED has also initiated close working relationships with the following agencies in selected areas of common interest:

Department of Labor

Youth Employment
Youth Enterprise Development
Special Economic Stimulus Program-Migrants

Department of Agriculture

Special Rural Initiatives-Small Farm Preservation
Cooperative Development
Rural Housing Inventory
Access to Loan and Grant Programs

Department of Housing and Urban Development

Neighborhood revitalization and preservation
through support of community based organizations
Urban and Indian Housing Inventory
Access to new construction, property management, and

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rehabilitation programs

Economic Development Administration

Joint funding on a limited group of community based organizations
Access to loans, grants, and planning programs

REGIONAL OPERATIONS

CSA had been urged to provide increased support for Regional Offices with respect to proper staffing and annual review. In response CSA's Office of Community Action sent a management anaylsis team to each Regional Office. Based on their observations, comprehensive plans were developed for reorganizing those Offices so that they might better serve the interests of the Government and grantees. Section III. A. of this Report details the status of the Reorganization.

CSA's efforts vis-a-vis Regional Offices are designed to strengthen the monitoring and technical assistance capabilities of those Offices. In this manner, effective grantees will be given assistance to do their jobs better - others will have their deficiencies addressed long before they begin impacting negatively on their operations. However, in those instances where this assistance is to no avail, CSA will act decisively to uphold its statutory and administrative responsibilities.

As of February 1, 1978, a Regional Coordination Division was established in the Office of Regional Operations. The Division's prime responsibility is to support Regional Offices in meeting their responsibilities. Lines of communication which have long been dormant have been reopened. This is particularly important with regard to Regional followup on CSA Inspection reports or other indications of defective operations at the grantee level.

PROFESSIONAL ASSOCIATIONS

On December 15, 1977, CSA published a regulation governing the payment of membership dues and related expenses to professional organizations. This regulation prohibits the use of CSA funds to pay for any membership dues or organizational fees without specific prior CSA approval. In addition the regulation provides review criteria for use by CSA Administering Offices in determining relevancy or acceptability of organizations to receive grant funds for membership-related expenses.

For those organizations which receive strong membership support through CSA-related grant funds, such as the National Association for Community Development (NACD) and the National Community Action Agency Executive Directors Association (NCAAEDA), CSA will make specific determinations of acceptability based not only on the relevancy of their activities to the objectives of the EOA, but also on such factors as their records for sound

management and fiscal systems, availability and acceptability of audits, procedures for and conduct of elections, and Federal access to records. To date CSA has found the National Association for Community Development (NACD) to be unacceptable to receive the CSA funds in payment of membership dues under this criteria. This determination also precludes expenditures of grant funds which go to support directly or indirectly activities of this organization. This includes travel to meetings or training seminars sponsored by NACD, payment of registration fees at such events, etc.

For those professional organizations, such as the National League of Cities, which receive only minimum support through CSA funded membership dues, approval will only be dependent upon programmatic relevance.

In addition CSA has published a regulation to control the use of CSA grant funds to travel to organizational functions. This regulation requires prior CSA approval for travel out of the geographical limits of the Federal Region in which the grantee is located and includes criteria for review of requests to expend grant funds for purposes of travel.

CSA ROLE AS ADVOCATE

The most fundamental recommendation by Congressional oversight in recent years has been that the Agency actively resume its role as representative of the poor. As Director Olivarez stated, "I accepted the responsibilities and the challenges the President offered me with this appointment with the full understanding and conviction that this Agency's primary role was that of advocate for the poor and that role had to be reactivated at all levels for us to resume effectively waging the war on poverty."

One very important factor in resuming the role of advocate has been the establishment of the Office of Interagency and External Affairs. The mission of this Office is to coordinate for the agency the anti-poverty efforts of other Federal agencies, state and local governments, and private sector groups as they relate to CSA's mission.

Specific activities include:

.. Developing and recommending plans and programs to coordinate and influence the activities and resources of Federal, state and local government and the private sector in combating poverty;

.. Strengthening existing relationships and developing new initiatives between and among all levels of government and the private sector concerning anti-poverty activities;

.. Assisting in the development of agency policies and programs as these affect other Federal agencies, state and local

governments and the private sector and relationships between these and agency offices and grantees; and

.. Coordination of agency participation in activities regarding Federal coordinating councils such as the Undersecretaries' Group, Federal Regional Councils and the White House Intergovernmental Work Group.

In the past, CSA's efforts to work with other Federal agencies and the private sector and public sectors have been hindered by the lack of emphasis and focus by the leadership of the Agency on building working relationships with these groups.

CSA realizes that it does not have all the resources necessary to meet the needs of the poor and that without the cooperation of and resources of other agencies and organizations, these needs will not be met.

Examples of CSA efforts to mobilize resources and advocate for the poor include:

INTERAGENCY

Interagency agreement with the Department of Labor for Supported Work to provide employment for low-income, marginally employable individuals (Signed 2/78).

Interagency agreement with the Social Security Administration (HEW) to increase and improve outreach to individuals eligible for Supplemental Security Income (SSI). (Signed 1/78).

Interagency agreement with the Department of Commerce, Office of Education (HEW), Law Enforcement Assistance Administration (Justice), and the Employment and Training Administration (DoL) for a Service Integration Project. This project coordinates educational and social services to disadvantaged youths and their families through the public school systems in Atlanta, Indianapolis and New York. (Signed 9/77 - 10/77).

An agreement with the Public Health Service (HEW) is being negotiated to provide increased immunization to preschool children utilizing CAAs for outreach.

An agreement with the Rural Development Service (Agriculture) is being negotiated to promote comprehensive community and human resources development in rural areas.

An agreement with the Food and Drug Administration (HEW) is being negotiated to provide improved consumer health protection information to communities by utilizing CAA for outreach and to develop joint training and program efforts.

INTERGOVERNMENTAL

White House Intergovernmental (IGR) Work Group

OIEA represents the CSA on this group which is chaired by Jack Watson.

Federal Regional Councils (FRCs)

OIEA provides advice and assistance to FRCs in developing joint planning and programming efforts at the Regional level. A policy paper is being developed that will clearly articulate Agency objectives in assisting and utilizing the FRCs to accomplish the Administration's goals of strengthening federal, state-local cooperation and coordination.

CSA is represented by one FRC Chairman (Region I) and provides substantial FRC staff support in all ten regions.

Public Interest Groups

The Director has met with the Human Resources Committee of the National Governors' Association to discuss joint efforts in human services programs and activities. (2/78)

Meetings will be held with other such state and local government interest groups in the near future.

CSA also participates in work sessions and conferences with other Public Interest Groups such as the National Conference of State Legislatures, the National League of Cities, the U.S. Conference of Mayors to develop co-operative efforts on behalf of the low-income.

OIEA will be developing a strategy with other CSA offices to more effectively mobilize and coordinate state and local resources with CSA resources and programs.

Citizen Participation

CSA serves as the lead agency for the compilation and distribution of the "Citizen Participation" booklet. To

date, 40,000 copies of the booklet have been distributed to federal, state and local government officials, all CSA grantees and private organizations. This booklet will be valuable to those people and groups who support citizen involvement in federal programs that affect their lives.

Private Sector

OIEA is developing a national strategy and operating plan to increase and improve private sector involvement in CSA activities and programs. This strategy will be developed in close coordination with the Office of Community Action and the Office of Economic Development to support the program goals and needs of their grantees.

The Director and Deputy Director have already met with such organizations such as the Ford Foundation and IBM. In addition, the Director has sent letters (2/78) to forty major foundations to establish contact and to begin to develop working realtionships with them. OIEA will follow-up with meetings with interested foundations, CSA Regional Offices and grantees to develop mechanisms that will allow the resources and experiences of these foundations to be most effectively used to benefit the poor.

GRANTEE INFORMATION SYSTEM

A Grantee Information System is being developed to assist the agency in its advocacy and management functions. The system will utilize and track information on all CAA's and other agency programs to meet basic legislative and zero-based budgeting data requirements as well as provide planning, operational monitoring and evaluation information. Currently, the feasibility study and general systems design is being developed in-house with assistance from the National Archives and Records Service (NARS). It is anticipated that the system will become operational by February 1979.

RESEARCH AND DEMONSTRATION

CSA is funding a number of innovative demonstration programs with a strong research and evaluation component to measure not only success rates but the potential for spinoff and replication on a larger scale following the period of demonstration.

As President Carter has stated, CSA should be the national laboratory for poverty related research and demonstrations.

Among the program demonstrations with potential for replication or spinoff to another Federal agency are the National Demonstration Water Project, the Menninger Foundation Group Homes Project and the Elderly Vitcimization Prevention and Assistance Program.

These are other demonstrations in the areas of rural housing, health, education and economic development. New demonstration initiatives either being considered or recently begun include energy conservation for low-income district schools, a statewide computerized information and referral system (in Michigan), and assistance to organizations dealing with undocumented workers ("illegal aliens"). CSA's broad mandate to assist the nation's poor permits it not only to undertake specific program demonstrations but to examine how different types of programs relate to each other in making up a total support system for the poor.

SUMMARY

The Report of House and Government Operations Committee on Management Deficiencies in CSA first called for a reorganization of CSA in January of 1976. Little progress was made in implementing the reorganization until Director Graciela (Grace) Olivarez assumed her duties in April of 1977. Today the reorganization of the Agency is nearly completed, remedial actions have been taken to correct and prevent past abuses and deficiencies and major new initiatives are being undertaken in planning, program development, evaluation, grantee administration and monitoring and management systems.

Events in the Past eight years of the Agency's history have frequently been singled out as a pretext for the shortcomings of CSA. No doubt this is true. But it would be wrong to rely on the past as an excuse for failures in the present. By the same token, it would be in error to rest on current accomplishments. The new administration at CSA will do neither, but will strive to overcome vestiges of past problems, seek to expand present achievements and continue to pursue new and better ways to serve as the vanguard in the war on poverty.

Appendix B

THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED

(Excerpt from Compilation of Selected Federal Laws Relating to Employment and Training)

ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED

AN ACT To mobilize the human and financial resources of the Nation to combat poverty in the United States.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Economic Opportunity Act of 1964".

FINDINGS AND DECLARATION OF PURPOSE

SEC. 2. Although the economic well-being and prosperity of the United States have progressed to a level surpassing any achieved in world history, and although these benefits are widely shared throughout the Nation, poverty continues to be the lot of a substantial number of our people. The United States can achieve its full economic and social potential as a nation only if every individual has the opportunity to contribute to the full extent of his capabilities and to participate in the workings of our society. It is therefore, the policy of the United States to eliminate the paradox of poverty in the midst of plenty in this Nation by opening to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity. It is the purpose of this Act to strengthen, supplement, and coordinate efforts in furtherance of that policy.

It is the sense of the Congress that it is highly desirable to employ the resources of the private sector of the economy of the United States in all such efforts to further the policy of this Act.

SHORT TITLE

SEC. 3. Titles I through IX of this Act may be cited as the "Community Services Act of 1974".

DEFINITIONS

SEC. 4. As used in this Act—

(1) the term "State" means a State, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands;

(2) the term "United States" when used in a geographical sense includes all those places named in paragraph (1) of this section and all other places, continental or insular, subject to the jurisdiction of the United States;

(3) the term "financial assistance" when used in title II, part B of title III, and title VIII includes assistance advanced by grant, agreement, or contract, but does not include the procurement of plant or equipment, or goods or services;

(4) the term "Secretary" means the Secretary of Health, Education, and Welfare;

(5) the term "Administration" means the Community Services Administration; and

(6) the term "Director" means the Director of the Community Services Administration.

TITLE I—RESEARCH AND DEMONSTRATIONS

STATEMENT OF PURPOSE

SEC. 101. The purpose of the title is to stimulate a better focusing of all available local, State, private, and Federal resources upon the goal of enabling low-income families, and low-income individuals of all ages, including persons of limited English-speaking ability, in rural and urban areas to attain the skills, knowledge, and motivations and secure the opportunities needed for them to become fully self-sufficient.

RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

SEC. 102. (a) The Director may provide financial assistance through grants or contracts for research, demonstration, or pilot projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise furthering the purposes of this title.

(b) The Director shall establish an overall plan to govern the approval of research, demonstration, and pilot projects and the use of all research authority under this title. Such plan shall set forth specific objectives to be achieved and priorities among such objectives. In formulating the plan, the Director shall consult with other Federal agencies for the purpose of minimizing duplication among similar activities or projects and determining whether the findings resulting from any such projects may be incorporated into one or more programs for which those agencies are responsible.

(c) No project shall be commenced under this section unless a plan setting forth such proposed project has been submitted to the chief executive officer of the State in which the project is to be located and such plan has not been disapproved by him within thirty days of such submission, or, if so disapproved, has been reconsidered by the Director and found by him to be fully consistent with the provisions and in furtherance of the purposes of this title.

(d) In making grants or contracts under this title, the Director shall give due consideration to requests for funds by applicants receiving financial assistance under section 221 or 235 of this Act.

CONSULTATION

SEC. 103. In carrying out projects under this title, the Director shall, whenever feasible, arrange to obtain the opinions of program participants about the strengths and weaknesses of programs.

ANNOUNCEMENT OF RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

SEC. 104. (a) The Director shall make a public announcement concerning—

(1) the title, purpose, intended completion date, identity of the grantee or contractor, and proposed cost of any grant or contract with a private or non-Federal public agency or organization for any research, demonstration, or project under this title; and

(2) the results, findings, data, or recommendations made or reported as a result of such research, demonstration, or pilot project.

(b) The public announcements required by subsection (a) of this section shall be made within thirty days of making any such grant or contract, and the public announcements required by subsection (b) of this section shall be made within thirty days of the receipt of such results, findings, data, or recommendations.

(c) The Director shall take necessary action to assure that all studies, proposals, and data produced or developed with Federal funds employed under this title shall become the property of the United States.

(d) The Director shall publish summaries of the results of activities carried out pursuant to this title not later than ninety days after the completion thereof. The Director shall submit to the appropriate committees of the Congress copies of all such summaries.

PROHIBITION OF FEDERAL CONTROL

SEC. 105. Nothing contained in this title shall be construed to authorize any department, agency, officer, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system.

TITLE II—URBAN AND RURAL COMMUNITY ACTION PROGRAMS

STATEMENT OF PURPOSE

SEC. 201. (a) This title provides for community action agencies and programs, prescribes the structure and describes the functions of community action agencies and authorizes financial assistance to community action programs and related projects and activities. Its basic purpose is to stimulate a better focusing of all available local, State, private, and Federal resources upon the goal of enabling low-income families, and low-income individuals of all ages, in rural and urban areas to attain the skills, knowledge, and motivations and secure the opportunities needed for them to become fully self-sufficient. Its specific purposes are to promote, as methods of achieving a better focusing of resources on the goal of individual and family self-sufficiency—

(1) the strengthening of community capabilities for planning and coordinating Federal, State, and other assistance related to

the elimination of poverty, so that this assistance, through the efforts of local officials, organizations, and interested and affected citizens, can be made more responsive to local needs and conditions;

(2) the better organization of a range of services related to the needs of the poor, so that these services may be made more effective and efficient in helping families and individuals to overcome particular problems in a way that takes account of and, supports their progress in overcoming, related problems;

(3) the greater use, subject to adequate evaluation, of new types of services and innovative approaches in attacking causes of poverty, so as to develop increasingly effective methods of employing available resources;

(4) the development and implementation of all programs and projects designed to serve the poor or low-income areas with the maximum feasible participation of residents of the areas and members of the groups served, so as the best stimulate and take full advantage of capabilities for self-advancement and assure that those programs and projects are otherwise meaningful to and widely utilized by their intended beneficiaries; and

(5) the broadening of the resource base of programs directed to the elimination of poverty, so as to secure, in addition to the services and assistance of public officials, private religious, charitable, and neighborhood organizations, and individual citizens, a more active role for business, labor, and professional groups able to provide employment opportunities or otherwise influence the quantity and quality of services of concern to the poor.

(b) It is further declared to be the purpose of this title and the policy of Community Services Administration to provide for basic education, health care, vocational training, and employment opportunities in rural America to enable the poor living in rural areas to remain in such areas and become self-sufficient therein. It shall not be the purpose of this title or the policy of Community Services Administration to encourage the rural poor to migrate to urban areas, inasmuch as it is the finding of Congress that continuation of such migration is frequently not in the best interests of the poor and tends to further congest the already overcrowded slums and ghettos of our Nation's cities.

Part A—Community Action Agencies and Programs

Designation of Community Action Agencies: Community Action Programs

Sec. 210. (a) A community action agency shall be a State or political subdivision of a State (having elected or duly appointed governing officials), or a combination of such political subdivisions, or a public or private nonprofit agency or organization which has been designated by a State or such a political subdivision or combination of such subdivisions, or an Indian tribal government, which—

(1) has the power and authority and will perform the functions set forth in section 212, including the power to enter into contracts with public and private nonprofit agencies and organizations to assist in fulfilling the purposes of this title, and

(2) is determined to be capable of planning, conducting, administering and evaluating a community action program and is currently designated as a community action agency by the Director.

A community action program is a community based and operated program—

(1) which includes or is designed to include a sufficient number of projects or components to provide, in sum, a range of services and activities having a measurable and potentially major impact on causes of poverty in the community or those areas of the community where poverty is a particularly acute problem;

(2) which has been developed, and which organizes and combines its component projects and activities, in a manner appropriate to carry out all the purposes of this title; and

(3) which conforms to such other supplementary criteria as the Director may prescribe consistent with the purposes and provisions of this title.

(b) Components of a community action program may be administered by the community action agency, where consistent with sound and efficient management and applicable law, or by other agencies. They may be projects eligible for assistance undcr this title, or projects assisted from other public or private sources; and they may be either specially designed to meet local needs, or designed pursuant to the eligibility standards of a State or Federal program providing assistance to a particular kind of activity which will help in meeting those needs.

(c) For the purpose of this title, a community may be a city, county, multicity, or multicounty unit, an Indian reservation, or a neighborhood or other area (irrespective of boundaries or political subdivisions) which provides a suitable organizational base and possesses the commonality of interest needed for a community action program. The Director shall consult with the heads of other Federal agencies responsible for programs relating to work and training programs, physical and economic development housing, education, health, and other community services to encourage the establishment of coterminous or complementary boundaries for planning purposes among those programs and community action programs assisted under this title.

(d) The Director may designate and provide financial assistance to a public or private nonprofit agency as a community action agency in lieu of a community action agency designated under subsection (a) for activities of the kind described in this title where he determines (1) that the community action agency serving the community has failed, after having a reasonable opportunity to do so, to submit a satisfactory plan for a community action program which meets the criteria for approval set forth in this title, or to carry out such plan in a satisfactory manner, or (2) that neither the State nor any qualified political subdivision or combination of such subdivisions is willing to be designated as the community action agency for such community or designate a public or private nonprofit agency or organization to be so designated by the Director.

(e) No political subdivision of a State shall be included in the community action program of a community action agency designated under section 210(a) if the elected or duly appointed governing

officials of such political subdivision do not wish to be so included. Such political subdivision, and any public or private nonprofit organization or agency designated by it, shall be eligible for designation as a community action agency on the same basis as other political subdivisions and their designees.

(f) In carrying out his responsibilities under this part the Director may delegate such functions (other than policymaking functions and the final approval of grants and contracts) to a State, in accordance with criteria and guidelines established by him, as he deems appropriate, except that no such delegation shall take place unless all the community action agencies within such State formally indicate their approval of such proposed delegation, except that whenever such delegated functions include the authority to approve programs within such State the Director shall make available to the State, in addition to an amount not less than the amount made available to such State for State agency assistance under section 231 in the previous fiscal year, an amount in each fiscal year equal to such State's share (as determined by the formula set forth in the third sentence of section 235(a)) of the aggregate amount made available during the fiscal year ending June 30, 1974, for the operation of regional offices of the Office of Economic Opportunity.

COMMUNITY ACTION AGENCIES AND BOARDS

SEC. 211. (a) Each community action agency which is a State or a political subdivision of a State, or a combination of political subdivision, shall administer its program through a community action board which shall meet the requirements of subsection (b). Each community action agency which is a public or private nonprofit agency or organization designated by a State or political subdivision of a State, or combination of political subdivisions, or is an agency designated by the Director under section 210(d), shall have a governing board which shall meet the requirements of subsection (b).

(b) Each board to which this subsection applies shall consist of not more than fifty-one members and shall be so constituted that (1) one-third of the members of the board are elected public officials, or their representatives, except that if the number of elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement, (2) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served, and (3) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community. Each member of the board selected to represent a specific geographic area within a community must reside in the area he represents. No person selected under clause (2) or (3) of this subsection as a member of a board shall serve on such board for more than five consecutive years, or more than a total of ten years.

(c) Where a community action agency places responsibility for major policy determinations with respect to the character, funding, extent, and administration of and budgeting for programs to be carried, on in a particular geographic area within the community in

a subsidiary board, council, or similar agency, such board, council, or agency shall be broadly representative of such area, subject to regulations of the director which assure adequate opportunity for membership of elected public officials on such board, council, or agency. Each community actiqn agency shall be encouraged to make use of neighborhood-based organizations composed of residents of the area or members of the groups served to assist such agency in the planning, conduct, and evaluation of components of the community action program.

(d)(1) The Director shall promulgate such standards or rules relating to the scheduling and notice of meetings, quorums (which shall be not less than 50 per centum, of the total membership), procedures, establishment of committees, and similar matters as he may deem necessary to assure that boards which are subject to subsection (b) provide a continuing and effective mechanism for securing broad, community involvement in programs assisted under this title and that all groups or elements represented on those boards have a full and fair opportunity to participate in decisions affecting those programs. Such standards or rules shall not proclude any such board from appointing an executive committee or similar group, which fairly reflects the composition of the board, to transact the board's business between its meetings. The quorum requirements for any such committee or group, which shall not be less than 50 percent of the membership, shall be established by the board.

(2) The Director shall require community action agencies to establish procedures under which community agencies and representative groups of the poor which feel themselves inadequately represented on the community action board or governing board may petition for adequate representation.

(e) The powers of every community action agency governing board shall include power to appoint persons to senior staff positions, to determine major personnel, fiscal, and program policies, to approve overall program plans and priorities, and to assure compliance with conditions of and approve proposals for financial assistance under this title.

(f) Each community action board referred to in the first sentence of subsections (a) shall—

(1) have a full opportunity to participate in the development and implementation of all programs and projects designed to serve the poor or low-income areas with maximum feasible participation of residents of the areas and members of the groups served, so as to best stimulate and take full advantage of capabilities for self-advancement and assure that those programs and projects are otherwise meaningful to and widely utilized by their intended beneficiaries;

(2) have at least one-third of its members chosen in accordance with democratic selection procedures adquate to assure that they are representative of the poor in the area served;

(3) be so established and organized that the poor and residents of the area concerned will be enabled to influence the character of programs affecting their interests and regularly participate in the planning and implementation of those programs; and

(4) be a continuing and effective mechanism for securing broad community involvement in the programs assisted under this title.

(g) The Director shall ensure that no election or other democratic selection procedure conducted pursuant to clause (2) of subsection (b), or pursuant to clause (2) of subsection (f), shall be held on a Sabbath Day which is observed as a day of rest and worship by residents in the area served.

SPECIFIC POWERS AND FUNCTIONS OF COMMUNITY ACTION AGENCIES

SEC. 212. (a) In order to carry out its overall responsibility for planning, coordinating, evaluating, and administering a community action program, a community action agency must have authority under its charter or applicable law to receive and administer funds under this title, funds and contributions from private or local public sources which may be used in support of a community action program, and funds under any Federal or State assistance program pursuant to which a public or private nonprofit agency (as the case may be) organized in accordance with this part could act as grantee, contractor, or sponsor of projects appropriate for inclusion in a community action program. A community action agency must also be empowered to transfer funds so received, and to delegate powers to other agencies, subject to the powers of its governing board and its overall program responsibilities. This power to transfer funds and delegate powers must include the power to make transfers and delegations covering component projects in all cases where this will contribute to efficiency and effectiveness or otherwise further program objectives.

(b) In exercising its powers and carrying out its overall responsibility for a community action program, a community action agency shall have, subject to the purposes of this title, at least the following functions:

(1) Planning systematically for and evaluating the program, including actions to develop information as to the problems and causes of poverty in the community, determine how much and how effectively assistance is being provided to deal with those problems and causes, and establish priorities among projects, activities and areas as needed for the best and most efficient use of resources.

(2) Encouraging agencies engaged in activities related to the community action program to plan for, secure and administer assistance available under this title or from other sources on a common or cooperative basis; providing planning or technical assistance to those agencies; and generally, in cooperation with community agencies and officials, undertaking actions to improve existing efforts to attack poverty, such as improving day-to-day communication, closing service gaps, focusing resources on the most needy, and providing additional opportunities to low-income individuals for regular employment or participation in the programs or activities for which those community agencies and officials are responsible.

(3) Initiating and sponsoring projects responsive to needs of the poor which are not otherwise being met, with particular emphasis on providing central or common services that can be drawn upon by a variety of related programs, developing new approaches or new types of services that can be incorporated into other programs, and filling gaps pending the expansion or modification of those programs.

(4) Establishing effective procedures by which the poor and area residents concerned will be enabled to influence the character of programs affecting their interest, providing for their regular participation in the implementation of those programs, and providing technical and other support needed to enable the poor and neighborhood groups to secure on their own behalf available assistance from public and private sources.

(5) Joining with and encouraging business, labor, and other private groups and organizations to undertake, together with public officials and agencies, activities in support of the community action program which will result in the additional use of private resources and capabilities, with a view to such things as developing new employment opportunities, stimulating investment that will have a measurable impact in reducing poverty among residents of areas of concentrated poverty, and providing methods by which residents of those areas can work with private groups, firms, and institutions in seeking solutions to problems of common concern.

ADMINISTRATIVE STANDARDS

SEC. 213. (a) Each community action agency shall observe, and shall (as appropriate) require or encourage other agencies participating in a community action program to observe standards of organization, management and administration which will assure, so far as reasonably possible, that all program activities are conducted in a manner consistent with the purposes of this title and the objective of providing assistance effectively, efficiently, and free of any taint of partisan political bias or personal or family favoritism. Each community action agency shall establish or adopt rules to carry out this section, which shall include rules to assure full staff accountability in matters governed by law, regulations, or agency policy. Each community action agency shall also provide for reasonable public access to information, including but not limited to public hearings at the request of appropriate community groups and reasonable public access to books and records of the agency or other agencies engaged in program activities or operations involving the use of authority or funds for which it is responsible. And each community action agency shall adopt for itself and other agencies using funds or exercising authority for which it is responsible, rules designed to establish specific standards governing salaries, salary increases, travel and per diem allowances, and other employee benefits; to assure that only persons capable of discharging their duties with competence and integrity are employed and that employees are promoted or advanced under impartial procedures calculated to improve agency performance and effectiveness; to guard against personal or financial conflicts of interests; and to define employee duties of advocacy on behalf of the poor in an appropriate manner which will in any case preclude employees from participating, in connection with the performance of their duties, in any form of picketing, protest, or other direct action which is in violation of law.

(b) The Director shall prescribe rules or regulations to supplement subsection (a), which shall be binding on all agencies carrying on community action program activities with financial assistance under this title. He may, where appropriate, establish special or

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simp'ified requirements for smaller agencies or agencies operating in rural areas. These special requirements shall not, however, affect the applicability of rules governing conflicts of interest, use of position or authority for partisan or nonpartisan political purposes or participation in direct action, regardless of customary practices or rules among agencies in the community. The Director shall consult with the heads of other Federal agencies responsible for programs providing assistance to activities which may be included in community action programs for the purpose of securing maximum consistency between rules or regulations prescribed or followed by those agencies and those prescribed under this section.

HOUSING DEVELOPMENT AND SERVICES ORGANIZATIONS

SEC. 214. Each community action agency shall encourage the establishment of housing development and services organizations designed to focus on the housing needs of low-income families and individuals. Such organizations shall provide the technical, administrative, and financial assistance which is required to help low-income families and individuals more effectively to utilize existing programs, and which is required to enable nonprofit, cooperative, and public sponsors more effectively to take advantage of existing Federal, State, and local mortgage insurance and housing assistance programs. Where appropriate, such organizations may be nonprofit housing development corporations. Such corporations may themselves become sponsors of housing under existing programs of specialized housing agencies, but under no circumstances shall such corporations insure mortgages or duplicate the long-term capital financing functions of programs now administered by the specialized housing agencies. Housing development and service organizations shall coordinate their efforts with other community action agency efforts so that any programs undertaken under authority of this section shall be closely related to other community action programs.

PART B—FINANCIAL ASSISTANCE TO COMMUNITY ACTION PROGRAMS AND RELATED ACTIVITIES

GENERAL PROVISIONS FOR FINANCIAL ASSISTANCE

SEC. 221. (a) The Director may provide financial assistance to community action agencies for the planning, conduct, administration and evaluation of community action programs and components. Those components may involve, without limitation, other activities and supporting facilities designed to assist participants including the elderly poor—

(1) to secure and retain meaningful employment;
(2) to attain and adequate education;
(3) to make better use of available income;
(4) to provide and maintain adequate housing and a suitable living environment;
(5) to undertake family planning, consistent with personal and family goals, religious and moral convictions;
(6) to obtain services for the prevention of narcotics addiction, alcoholism, and the rehabilitation of narcotics addicts and alcoholics;

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

(8) to remove obstacles and solve personal and family problems which block the achievement of self-sufficiency;

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

(10) to make more frequent and effective use of other programs related to the purposes of this title.

He may also provide financial assistance to other public or private nonprofit agencies to aid them in planning for the establishment of a community action agency.

(b) If the Director determines that a limited purpose project or program involving activities otherwise eligible under this section is needed to serve needs of low-income families and individuals in a community and no community action agency has been designated for that community pursuant to section 210, or where a community action agency gives its approval for such a program to be funded directly through a public or private nonprofit agency or organization, he may extend financial assistance for that project or program to a public or private nonprofit agency which he finds is capable of carrying out the project in an efficient and effective manner consistent with the purpose of this title.

(c) The Director shall prescribe necessary rules or regulations governing applications for assistance under this section to assure that every reasonable effort is made by each applicant to secure the views of local public officials and agencies in the community having a direct or substantial interest in the application and to resolve all issues of cooperation and possible duplication prior to its submission,

(d) After July 1, 1968, the Director shall require, as a condition of assistance, that each community action agency has adopted a systematic approach to the achievement of the purposes of this title and to the utilization of funds provided under this part. Such systematic approach shall encompass a planning and implementation process which seeks to identify the problems and causes of poverty in the community, seeks to mobilize and coordinate relevant public and private resources, establishes program priorities, links program components with one another and with other relevant programs, and provides for evaluation. The Director may, however, extend the time for such requirement to take into account the length of time a program has been in operation. He shall also take necessary steps to assure the participation of other Federal agencies in support of the development and implementation of plans under this subsection.

(e) In order to promote local responsibility and initiative, the Director shall not establish binding national priorities on funds authorized by this section, but he shall review each application for financial assistance on its merits. Before extending financial assistance to a new community action agency under this section, and in determining the amount of and conditions on which such assistance shall be extended, the Director shall consider the extent and nature of poverty in the community and the probable capacity of the agency to carry out an effective program. In reviewing or supplementing financial assistance to a previously existing community action agency,

he shall consider the progress made in carrying on programs by such agency.

SPECIAL PROGRAMS AND ASSISTANCE

SEC. 222. (a) In order to stimulate actions to meet or deal with particularly critical needs or problems of the poor which are common to a number of communities, the Director may develop and carry on special programs under this section. This authority shall be used only where the Director determines that the objectives sought could not be effectively achieved through the use of authorities under section 221, including assistance to components or projects based on models developed and promulgated by him. It shall also be used only with respect to programs which (A) involve activities which can be incorporated into or be closely coordinated with community action programs, (B) involve significant new combinations of resources or new and innovative approaches, or (C) are structured in a way that will, within the limits of the type of assistance or activities contemplated, most fully and effectively promote the purposes of this title. Subject to such conditions as may be appropriate to assure effective and efficient administration, the Director may provide financial assistance to public or private nonprofit agencies to carry on local projects initiated under such special programs; but he shall do so in a manner that will encourage, wherever feasible, the inclusion of the assisted projects in community action programs, with a view to minimizing possible duplication and promoting efficiencies in the use of common facilities and services, better assisting persons or families having a variety of needs, and otherwise securing from the funds committed the greatest possible impact in promoting family and individual self-sufficiency. Programs under this section shall include those described in the following paragraphs:

[Paragraphs (1) through (4) of this subsection have been repealed.]

(5) A program to be known as "Community Food and Nutrition" designed to provide on an emergency basis, directly or by delegation of authority pursuant to the provisions of title VI of this Act, financial assistance for the provision of such supplies and services, nutritional foodstuffs, and related services, as may be necessary to counteract conditions of starvation or malnutrition among the poor. Such assistance may be provided by way of supplement to such other assistance as may be extended under the provisions of other Federal programs, and may be used to extend and broaden such programs to serve economically disadvantaged individuals and families where such services are not now provided and without regard to requirements of such laws for local or State administration or financial participation. In extending such assistance, the Director may make grants to community action agencies or local public or private nonprofit organizations or agencies to carry out the purposes of this paragraph. The Director is authorized to carry out the functions under this paragraph through the Secretary of Agriculture and the Secretary of Health, Education, and Welfare in a manner that will insure the availability of such supplies and services, nutritional foodstuffs, and related services through a community action agency where

feasible, or other agencies or organizations if no such agency exists or is able to administer programs to provide such foodstuffs, services, and supplies to needy individuals and families.

[Paragraph (6) repealed.]

(7) A program to be known as "Senior Opportunities and Services" designed to identify and meet the needs of older, poor persons above the age of 60 in one or more of the following areas: development and provision of new employment and volunteer services; effective referral to existing health, welfare, employment, housing, legal, consumer, transportation, education, and recreational and other services; stimulation and creation of additional services and programs to remedy gaps and deficiencies in presently existing services and programs; modification of existing procedures, eligibility requirements and program structures to facilitate the greater use of, and participation in, public services by the older poor; development of all-season recreation and service centers controlled by older persons themselves, and such other activities and services as the Director may determine are necessary or specially appropriate to meet the needs of the older poor and to assure them greater self-sufficiency. In administering this program the Director shall utilize to the maximum extent feasible the services of the Administration of Aging in accordance with agreements with the Secretary of Health, Education, and Welfare.

[Paragraphs] (8) and (9) repealed.

(10) An "Environmental Action" program through which low-income persons will be paid for work (which would not otherwise be performed) on projects designed to combat pollution or to improve the environment. Projects may include, without limitation: cleanup and sanitation activities, including solid waste removal; reclamation and rehabilitation of eroded or ecologically damaged areas, including areas affected by strip mining; conservation and beautification activities, including tree planting and recreation area development; the restoration and maintenance of the environment; and the improvement of the quality of life in urban and rural areas.

(11) A program to be known as "Rural Housing Development and Rehabilitation" designed to assist low-income families in rural areas to construct and acquire ownership of adequate housing, to rehabilitate or repair existing substandard units in such areas, and to otherwise assist families in obtaining standard housing. Financial assistance under this paragraph shall be provided to non-profit rural housing development corporations and cooperatives serving areas which are defined by the Farmers Home Administration as rural areas, and shall be used for, but not limited to, such purposes as administrative expenses; revolving development funds; non-revolving land, land development and construction writedowns; rehabilitation or repair of substandard housing; and loans to low-income families. In the construction, rehabilitation, and repair of housing for low-income families under this paragraph, the services of persons enrolled in Mainstream programs may be utilized. Loans under this paragraph may be used for, but not limited to, such purposes as the purchase of new housing units, the repair, rehabilitation and purchase of existing units, and to supplement existing Federal loan programs in order that low-income families may benefit from them. The re-

payment period of such loans shall not exceed thirty-three years. No loans under this paragraph shall bear an interest rate of less than 1 per centum per annum, but if the Director, after having examined the family income of the applicant, the projected housing costs of the applicant, and such other factors as he deems appropriate, determines that the applicant would otherwise be unable to participate in this program, he may waive the interest in whole or in part and for such periods of time as he may establish except that (1) no such waiver may be granted to an applicant whose adjusted family income (as defined by the Farmers Home Administration) is in excess of $3,700 per annum and (2) any applicant for whom such a waiver is provided shall be required to commit at least 20 per centum of his adjusted family income toward the mortgage debt service and other housing costs. Family incomes shall be recertified annually, and monthly payments for all loans under this paragraph adjusted accordingly.

(12) A program to be known as "Emergency Energy Conservation Services" designed to enable low-income individuals and families, including the elderly and the near poor, to participate in energy conservation programs designed to lessen the impact of the high cost of energy on such individuals and families and to reduce individual and family energy consumption. The Director is authorized to provide financial and other assistance for programs and activities, including, but not limited to, an energy conservation and education program; winterization of old or substandard dwellings, improved space conditioning, and insulation; emergency loans, grants, and revolving funds to install energy conservation technologies and to deal with increased housing expenses relating to the energy crisis; alternative fuel supplies, special fuel voucher or stamp programs; alternative transportation activities designed to save fuel and assure continued access to training, education, and employment; appropriate outreach efforts; furnishing personnel to act as coordinators, providing legal or technical assistance, or otherwise representing the interests of the poor in efforts relating to the energy crisis; nutrition, health, and other supportive services in emergency cases; and evaluation of programs and activities under this paragraph. Such assistance may be provided as a supplement to any other assistance extended under the provisions of this Act or under other provisions of Federal law. The Director, after consultation with the Administrator of the Federal Energy Office and appropriate Federal departments and agencies, shall establish procedures and take other appropriate action necessary to insure that the effects of the energy crisis on low-income persons, the elderly, and the near poor are taken into account in the formulation and administration of programs relating to the energy crisis.

(13) A program to be known as "Summer Youth Recreation" designed to provide recreational opportunities for low-income children during the summer months. Funds made available for this section shall be allocated by the Director, after consultation with the Secretary of Labor, among prime sponsors and other agencies designated under title I of the Comprehensive Employment and Training Act of 1973 on the basis of (1) the relative number of public assistance recipients in the area served by such prime sponsor or agency, as compared to the Nation; (2) the relative number of unemployment persons in such area as compared with the Nation; and (3) the relative number of related children living with families with incomes below

the poverty line in such area, as compared to the Nation. That part of any allotment which the Director determines will not be needed may be reallotted, at such dates during the fiscal year as the Director may fix, to the extent feasible, in proportion to the original allotments. In making allocations under this section, the Director shall insure, to the maximum extent possible, that for the program commencing in the fiscal year ending June 30, 1975, and for the program in each succeeding fiscal year no prime sponsor or other designated agency shall receive an amount less than the amount received for such programs during the fiscal year ending June 30, 1973, or the fiscal year ending June 30, 1974, whichever is higher.

(b) Consistent with, and subject to, the provisions of sections 230 and 232 (a), (b), and (c), programs under this section may include related training, research, and technical assistance, and funds allocated for this purpose may be allotted and used in the manner otherwise provided under this title with respect to training, research, and technical assistance activities.

RESIDENT EMPLOYMENT

SEC. 223. In the conduct of all component programs under this part, residents of the area and members of the groups served shall be provided maximum employment opportunity, including opportunity for further occupational training and career advancement. The Director shall encourage the employment of persons fifty-five years and older as regular, part-time and short-term staff in component programs.

NEIGHBORHOOD CENTERS

SEC. 224. The Director shall encourage the development of neighborhood centers, designed to promote the effectiveness of needed services in such fields as health, education, manpower, consumer protection, child and economic development, housing, legal, recreation, and social services, and so organized (through a corporate or other appropriate framework) as to promote maximum participation of neighborhood residents in center planning, policymaking, administration, and operation. In addition to providing such services as may not otherwise be conveniently or readily available, such centers shall be responsive to such neighborhood needs, such as counseling, referral, follow-through, and community development activities, as may be necessary or appropriate to best assure a system under which existing programs are extended to the most disadvantaged, are linked to one another, are responsive and relevant to the range of community, family, and individual problems and are fully adapted to neighborhood needs and conditions.

ALLOTMENT OF FUNDS: LIMITATIONS ON ASSISTANCE

SEC. 225. (a) Of the sums which are appropriated or allocated for assistance in the development and implementation of community action programs pursuant to section 221, and for special program projects referred to in section 222(a), and which are not subject to any other provision governing allotment or distribution, the Director shall allot not more than 2 per centum among Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands, according to their respective needs. He shall also reserve not

more than 20 per centum of those sums for allotment in accordance with such criteria and procedures as he may prescribe. The remainder shall be allotted among the States, in accordance with the latest available data, so that equal proportions are distributed on the basis of (1) the relative number of public assistance recipients in each State as compared to all States, (2) the relative number of unemployed persons in each State as compared to all States, and (3) the relative number of related children living with families with incomes below the poverty line in each State as compared to all States. For purposes of this subsection, the Director shall utilize the criteria of poverty used by the Bureau of the Census in compiling the 1970 decennial census. The Director shall insure that for the fiscal year ending June 30, 1975, and for each succeeding fiscal year, no State shall be allotted for programs under section 221 and section 222(a) an amount which is less than the amount received for use within such State for programs described in such sections during the fiscal year ending June 30, 1974. That part of any State's allotment which the Director determines will not be needed may be reallotted, at such dates during the fiscal year as the Director may fix, in proportion to the original allotments, but with appropriate adjustments to assure that any amount so made available to any State in excess of its needs is similarly reallotted among the other States.

(b) The Director may provide for the separate allotment of funds for any special program referred to in section 222(a). This allotment may be made in accordance with the cirteria prescribed in subsection (a), or it may be made in accordance with other criteria which he determines will assure an equitable distribution of funds reflecting the relative incidence in each State of the needs or problems at which the program is directed, except that in no event may more than 12½ per centum of the funds for any one program be used in any one State.

(c) Unless otherwise provided in this part, financial assistance extended to a community action agency or other agency pursuant to sections 221 and 222(a), for the period ending June 30, 1967 shall not exceed 80 per centum of the approved cost of the assisted programs or activities with respect to fiscal year 1975, and 70 per centum of such costs with respect to fiscal year 1976, and shall not exceed 60 per centum of such costs with respect to fiscal year 1977, except that in the case of community action agencies receiving such financial assistance annually of $300,000 or less, such financial assistance shall not exceed 75 per centum of such costs with respect to fiscal year 1976, and shall not exceed 70 per centum of such costs with respect to fiscal year 1977. The Director may, however, approve assistance in excess of such percentages if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this title. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment or services. The Director shall not require non-Federal contributions in excess of the amount required to meet the approved cost of assisted programs or activities after calculating the per centum of Federal assistance for which such program is eligible under the first sentence of this subsection. In addition, the Director may approve assistance in excess of such per centum upon evidence that the aggregate of all non-Federal contributions by agencies within a State for financial assistance provided pursuant to sections 221 and 222(a) as a per centum of the aggregate of all financial assistance provided to such

agencies in such State pursuant to such sections meets the per centum requirements of this subsection.

(d) No program shall be approved for assistance under sections 221 and 222(a) unless the Director satisfies himself (1) that the services to be provided under such program will be in addition to, and not in substitution for, services previously provided without Federal assistance, and (2) that funds or other resources devoted to programs designed to meet the needs of the poor within the community will not be diminished in order to provide any contributions required under subsection (c). The requirement imposed by the preceding sentence shall be subject to such regulations as the Director may adopt and promulgate establishing objective criteria for determinations covering situations where a strict application of that requirement would result in unnecessary hardship or otherwise be inconsistent with the purpose sought to be achieved.

DESIGN AND PLANNING ASSISTANCE PROGRAMS

SEC. 226. (a) The Director shall make grants or enter into contracts to provide financial assistance for the operating expenses of programs conducted by community-based design and planning organizations to provide technical assistance and professional architectural and related services relating to housing, neighborhood facilities, transportation and other aspects of community planning and development to persons and community organizations or groups not otherwise able to afford such assistance. Such programs shall be conducted with maximum use of the voluntary services of professional and community personnel. In providing assistance under this section, the Director shall afford priority to persons in urban or rural poverty areas with substandard housing, substandard public service facilities, and generally blighted conditions. Design and planning services to be provided by such organization shall include—

(1) comprehensive community or area planning and development;

(2) specific projects for the priority planning and development needs of the community; and

(3) educational programs directed to local residents emphasizing their role in the planning and development process in the community.

(b) No assistance may be provided under this section unless such design and planning organization—

(1) is a nonprofit organization located in the neighborhood or area to be served with a majority of the governing body of such organization comprised of residents of that neighborhood or area;

(2) has a primary function the goal of bringing about, through the involvement of the appropriate community action agency or otherwise, maximum possible participation of local residents, especially low-income residents, in the planning and decision-making regarding the development of their community; and

(3) will carry out its design and planning services principally through the voluntary participation of professional and community personnel (including, where available, VISTA volunteers).

(c) Design and planning organizations receiving assistance under this section shall not subcontract with any profitmaking organization or pay fees for architectural or other professional services.

(d) The Director is authorized to make whatever arrangements are necessary to continue pilot or demonstration projects of demonstrated effectiveness of the type described in this section receiving assistance under section 232 of this Act during the fiscal year ending June 30, 1971.

NATIONAL YOUTH SPORTS PROGRAM

SEC. 227. (a) In order to provide to disadvantaged national youth physical fitness instruction and competition with high-quality facilities and supervision and related educational and counseling services (including instruction concerning study practices, career opportunities, job responsibilities, health and nutrition, and drug abuse education) through regular association with college instructors and athletes and exposure to college and university campuses and other recreational facilities, the Director shall make grants or enter into contracts for the conduct of an annual national youth sports program concentrated in the summer months and with continued activities throughout the year, so as to offer disadvantaged youth living in areas of rural and urban poverty an opportunity to receive such recreation and educational instruction, information, and services and to participate in such physical fitness programs and sports competitions.

(b) No assistance may be provided under this section unless satisfactory assurances are received that (1) not less than 90 per centum of the youths participating in each program to be assisted under this section are from families with incomes below the poverty level as determined by the Director, and that such participating youths and other neighborhood residents, through the involvement of the appropriate community action agency or otherwise, will have maximum participation in program planning and operation and (2) all significant segments of the low-income population of the community to be served will be served on an equitable basis in terms of participating youths and instructional and other support personnel.

(c) Programs under this section shall be administered by the Director through grants or contracts with any qualified organization of colleges and universities or such other qualified nonprofit organizations active in the field with access to appropriate recreational facilities as the Director shall determine in accordance with regulations which he shall prescribe. Each such grant or contract and subcontract with participating institutions of higher education or other qualified organizations active in the field shall contain provisions to assure that the program to be assisted will provide a non-Federal contribution (in cash or in kind) of no less than 20 per centum of the direct costs necessary to carry out the program. Each such grant, contract, or subcontract shall include provisions for—

(1) providing opportunities for disadvantaged youth to engage in competitive sports and receive sports skills and physical fitness instruction and education in good health and nutrition practices;

(2) providing such youth with instruction and information regarding study practices, career opportunities, job responsibilities, and drug abuse;

(3) carrying out continuing related activities throughout the year;

(4) meeting the requirements of subsection (b) of this section;

(5) enabling the contractor and institutions of higher education or other qualified organizations active in the field located conveniently to such areas of poverty and the students and personnel of such institutions or organizations active in the field to participate more fully in the community life and in solutions of community problems; and

(6) serving metropolitan centers of the United States and rural areas, within the limits of program resources.

CONSUMER ACTION AND COOPERATIVE PROGRAMS

SEC. 228. (a) The Director shall make grants or enter into contracts to provide financial assistance for the development, technical assistance to and conduct of consumer action and advocacy and cooperative programs, credit resources development programs, and consumer protection and education programs designed to demonstrate various techniques and models and to carry out projects to assist and provide technical assistance to low-income persons to try to improve the quality, improve the delivery, and lower the price of goods and services, to obtain, without undue delay or burden, financial credit at reasonable cost, and to develop means of enforcing consumer rights, developing consumer grievance procedures and presenting consumer grievances, submitting consumer views and concerns for protection against unfair, deceptive, or discriminatory trade and commercial practices and educating low-income persons with respect to such rights, procedures, grievances, views and concerns.

(b) No assistance may be provided under this section unless the grantee or contracting organization or agency is a nonprofit organization and has as a primary function the goal of bringing about, through the involvement of the appropriate community action agency or otherwise, maximum possible participation of low-income persons in the project.

(c) The Director is authorized to make whatever arrangements are necessary to continue pilot or demonstration projects of demonstrated effectiveness, or which have not yet been evaluated until such time as an evaluation is conducted and the effectiveness determined and to carry out evaluations of such projects, of the type described in this section receiving assistance under section 232 of this Act during the fiscal year ending June 30, 1971 or June 30, 1972.

PART C—SUPPLEMENTAL PROGRAMS AND ACTIVITIES

TECHNICAL ASSISTANCE AND TRAINING

SEC. 230. The Director may provide, directly or through grants or other arrangements, (1) technical assistance to communities in developing, conducting, and administering programs under this title, and (2) training for specialized or other personnel which is needed in connection with those programs or which otherwise pertains to the purposes of this title. Upon request of an agency receiving financial assistance under this title, the Director may make special assignments of personnel to the agency to assist and advise it in the performance of functions related to the assisted activity; but no such special assign-

ment shall be for a period of more than two years in the case of any agency.

STATE AGENCY ASSISTANCE

SEC. 231. (a) The Director may provide financial assistance to State agencies designated in accordance with State law, to enable those agencies—

(1) to provide technical assistance to communities and local agencies in developing and carrying out programs under this title;

(2) to assist in coordinating State activities related to this title;

(3) to advise and assist the Director in developing procedures and programs to promote the participation of States and State agencies in programs under this title; and

(4) to advise and assist the Director, the Economic Opportunity Council established by section 631 of the Act, and the heads of other Federal agencies in identifying problems posed by Federal statutory or administrative requirements that operate to impede State level coordination of programs related to this title, and in developing methods or recommendations for overcoming those problems.

(b) In any grants or contracts with State agencies, the Director shall give preference to programs or activities which are administered or coordinated by the agencies designated pursuant to subsection (a), or which have been developed and will be carried on with the assistance of those agencies.

(c) In order to promote coordination in the use of funds under this Act and funds provided or granted by State agencies, the Director may enter into agreements with States or State agencies pursuant to which they will act as agents of the United States for purposes of providing financial assistance to community action agencies or other local agencies in connection with specific projects or programs involving the common or joint use of State funds and funds under this title.

(d) If any member of a board to which section 211(b) is applicable files an allegation with the Director that an agency receiving assistance under this section is not observing any requirement of this Act, or any regulation, rule, or guideline promulgated by the Director under this Act, the Director shall promptly investigate such allegation and shall consider it; and, if after such investigation and consideration he finds reasonable cause to believe that the allegations are true, he shall hold a hearing, upon the conclusion of which he shall notify all interested persons of his findings. If he finds that the allegations are true, and that, after being afforded a reasonable opportunity to do so, the agency has failed to make appropriate corrections, he shall forthwith terminate further assistance under this title to such agency until he has received assurances satisfactory to him that further violations will not occur.

RESEARCH AND PILOT PROGRAMS

SEC. 232. (a) The Director may contract or provide financial assistance for pilot or demonstration projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special

problems or otherwise in furthering the purposes of this title. He may also contract or provide financial assistance for research pertaining to the purposes of this title.

(b) The Director shall establish an overall plan to govern the approval of pilot or demonstration projects and the use of all research authority under this title. The plan shall set forth specific objectives to be achieved and priorities among such objectives. In formulating the plan, the Director shall consult with other Federal agencies for the purpose of minimizing duplication among similar activities or projects and determining whether the findings resulting from any research or pilot projects may be incorporated into one or more programs for which those agencies are responsible. As part of the annual report required by section 608, or in a separate annual report, the Director shall submit a description for each fiscal year of the current plan required by this section, of activities subject to the plan, and of the findings derived from those activities, together with a statement indicating the time and, to the extent feasible, the manner in which the benefits of those activities and findings are expected to be realized.

(c) Not more than 15 per centum of the sums appropriated or allocated in any fiscal year for this title shall be used for the purposes of this section. One-third of the sums so appropriated or allocated shall be available only for projects authorized under subsection (f) of this section.

(d) No pilot or demonstration project under this section shall be commenced in any city, county, or other major political subdivision, unless a plan setting forth such proposed pilot or demonstration project has been submitted to the appropriate community action agency, or, if there is no such agency, to the local governing officials of the political subdivision, and such plan has not been disapproved by the community action agency or governing body, as the case may be, within thirty days of such submission, or, if so disapproved, has been reconsidered by the Director and found by him to be fully consistent with the provisions and in furtherance of the purposes of this title.

(e) The Director shall develop and carry out pilot projects which (1) aid elderly persons to achieve greater self-sufficiency, (2) focus upon the problems of rural poverty, (3) are designed to develop new techniques and community-based efforts to prevent narcotics addiction or to rehabilitate narcotic addicts, or (4) are designed to encourage the participation of private organizations, other than nonprofit organizations, in programs under this title.

(f) The Director shall conduct, either directly or through grants or other arrangements, research and pilot projects designed to assure a more effective use of human and natural resources of rural America and to slow the migration from rural areas due to lack of economic opportunity, thereby reducing population pressures in urban centers. Such projects may be operated jointly or in cooperation with other federally assisted programs, particularly programs authorized under the Public Works and Economic Development Act of 1965, in the area to be served by the project.

SPECIAL ASSISTANCE

SEC. 234. The Director may provide financial assistance for projects conducted by public or private nonprofit agencies which are designed

to serve groups of low-income individuals who are not being effectively served by other programs under this title. In administering this section, the Director shall give special consideration to programs designed to assist older persons and other low-income individuals who do not reside in low-income areas and who are not being effectively served by other programs under this title.

DEMONSTRATION COMMUNITY PARTNERSHIP AGREEMENTS

SEC. 235. (a) The Director may provide financial assistance from funds appropriated to carry out this section to community action agencies or public or private nonprofit agencies designated under section 210 for programs authorized under this title, and to State economic opportunity offices for programs and activities authorized under section 231(a). Financial assistance extended to a community action agency or other agency pursuant to this section may be used for new programs or to supplement existing programs and shall not exceed 50 per centum of the cost of such new or supplemental programs.

(b) Matching local and State funds supplied under this section shall be in cash and shall represent State and local initiatives newly obligated within the previous year to the purposes of the grant-supported activity; and no program shall be approved for assistance under this section unless the Director satisfies himself (1) that the activities to be carried out under such program will be in addition to, and not in substitution for, activities previously carried on without Federal assistance, (2) that funds or other resources devoted to programs designed to meet the needs of the poor within the community, area, or State will not be diminished in order to provide the contributions required under this section. The requirement imposed by the preceding sentence shall be subject to such regulations as the Director may adopt and promulgate establishing objective criteria for determinations covering situations where a strict application of that requirement would result in unnecessary hardship or otherwise be inconsistent with the purposes sought to be achieved.

(c) The provisions of section 242 of this Act shall not apply to assistance provided under this section.

INTERGOVERNMENTAL ADVISORY COUNCIL ON COMMUNITY SERVICES

SEC. 236. (a) There shall be established within the Community Services Administration an Intergovernmental Advisory Council on Community Services (referred to in this section as the "Council").

(b) The Council shall be composed of nine members who shall be appointed by the President as follows:

(i) Three members shall be appointed from among representatives of States and county and municipal governments or organizations which represent such governmental units, selected on an equitable, political, and geographic basis after considering recommendations made by the National Governors' Conference, the National Leagure of Cities-United States Conference of Mayors, the National Association of Counties and similar organizations representative of State and local government.

(ii) Three members shall be appointed from among representatives of community action agencies and other grantees under this Act or organizations which represent such agencies and grantees, selected on an equitable, political, and geographic basis after considering recommendations previously made by the Director of the Community Services Administration.

(iii) Three members shall be appointed from among representatives of labor, management, and other sectors which have demonstrated active interest in community action and antipoverty programs.

(c) The Council shall—

(1) encourage the formation of community partnership agreements;

(2) review the substance of such agreements and any regulations, guidelines, or other program criteria with respect thereto and advise the Director thereon prior to final approval thereof;

(3) evaluate the effectiveness of such agreements in meeting the purposes of this Act;

(4) conduct a continuing survey throughout the Nation on the extent to which, and terms under which, public and private resources have been and may be available for antipoverty efforts;

(5) identify and encourage means of increasing resources available for such activities; and

(6) submit annual reports to the President and to the Congress on or before March 1, 1976, and March 1, 1977, with respect to its activities and findings, together with such recommendations for legislation as it may deem appropriate.

(d) The Director shall provide the Council with such information as shall be necessary for the Council to discharge its functions under this section and shall furnish the Council with copies of all grant applications within ten days of receipt thereof.

FUNDS AVAILABLE

SEC. 237. There is also authorized to be appropriated not to exceed $50,000,000 to carry out section 235 during the fiscal year 1975, and such sums as may be necessary during each of the two succeeding fiscal years, except that in no event may more than 12½ per centum of such additional amounts be used in any one State.

PART D—GENERAL AND TECHNICAL PROVISIONS

ASSISTANT DIRECTORS FOR COMMUNITY ACTION

SEC. 240. The Director shall appoint two assistant directors for the purpose of assisting the Director in the administration of the provisions of this title. One such assistant director, to be known as the Assistant Director for Community Action in Rural Areas, shall be responsible for assuring that funds allotted for assistance to programs or projects designed to assist the rural poor are so expended. The other assistant director to be known as the Assistant Director for Community Action in Urban Areas, shall be responsible for assuring that funds allotted for assistance to programs or projects designed to assist the urban poor are so expended. Each assistant director shall have such additional responsibilities consistent with the foregoing responsibilities as the Director may hereafter assign.

RURAL AREAS

SEC. 241. (a) In exercising authority under this title, the Director shall take necessary steps to further the extension of benefits to residents of rural areas, consistent with the extent and severity of poverty among rural residents, and to encourage high levels of managerial and technical competence in programs undertaken in rural areas. These steps shall include, to the maximum extent practicable, (1) the development under section 222(a) of programs particularly responsive to special needs of rural areas; (2) the establishment, pursuant to section 232, of a program of research and pilot project activities specifically focused upon the problems of rural poverty; (3) the provision of technical assistance so as to afford a priority to agencies in rural communities and to aid those agencies, through such arrangements as may be appropriate, in securing assistance under Federal programs which are related to this title but which are not generally utilized in rural areas; and (4) the development of special or simplified procedures, forms, guidelines, model components, and model programs for use in rural areas.

(b) The Director shall establish criteria designed to achieve an equitable distribution of assistance under this title within the States between urban and rural areas. In developing such criteria, he shall consider the relative number in the States or areas therein of: (1) low-income families, particularly those with children; (2) unemployed persons; (3) persons receiving cash or other assistance on a needs basis from public agencies or private organizations; (4) school dropouts; (5) adults with less than an eighth-grade education; (6) person rejected for military service; and (7) poor persons living in urban places compared to the number living in rural places as determined by the latest reports of the Bureau of the Census.

(c) Notwithstanding any other provision of this title, the Director is authorized to provide financial assistance in rural areas to public or private nonprofit agencies for any project for which assistance to community action agencies is authorized, if he determines that it is not feasible to establish a community action agency within a reasonable period of time. The assistance so granted shall be subject to such conditions as the Director deems appropriate to promote adherence to the purposes of this title and the early establishment of a community action agency in the area.

(d) The Director shall encourage the development of programs for the interchange of personnel, for the undertaking of common or related projects, and other methods of cooperation between urban and rural communities, with particular emphasis on fostering cooperation in situations where it may contribute to new employment opportunities, and between larger urban communities with concentrations of low-income persons and families and rural areas in which substantial numbers of those persons and families have recently resided.

SUBMISSION OF PLANS TO GOVERNORS

SEC. 242. In carrying out the provisions of this title, no contract, agreement, grant, loan, or other assistance shall be made with, or provided to, any State or local public agency or any private institution or organization for the purpose of carrying out any program, project, or other activity within a State unless a plan setting forth such proposed contract, agreement, grant, loan, or other assistance has been

submitted to the Governor of the State, and such plan has not been disapproved by the Governor within thirty days of such submission, or, if so disapproved, has been reconsidered by the Director and found by him to be fully consistent with the provisions and in furtherance of the purposes of this title. Funds to cover the costs of the proposed contract, agreement, grant, loan, or other assistance shall be obligated from the appropriation which is current at the time the plan is submitted to the Governor. This section shall not, however, apply to contracts, agreements, grants, loans or other assistance to any institution of higher education in existence on the date of the approval of this Act.

FISCAL RESPONSIBILITY AND AUDIT

SEC. 243. (a) No funds shall be released to any agency receiving financial assistance under this title until it has submitted to the Director a statement certifying that the assisted agency and its delegate agencies (or subcontractors for performance of any major portion of the assisted program) have established an accounting system with internal controls adequate to safeguard their assets, check the accuracy and reliability of the accounting data, promote operating efficiency and encourage compliance with prescribed management policies and such additional fiscal responsibility and accounting requirements as the Director may establish. The statement may be furnished by a certified public accountant, a duly licensed public accountant or, in the case of a public agency, the appropriate public financial officer who accepts responsibility for providing required financial services to that agency.

(b) Within three months after the effective date of a grant to or contract of assistance with an organization or agency, the Director shall make or cause to be made a preliminary audit survey to review and evaluate the adequacy of the accounting system and internal controls established thereunder to meet the standards set forth in the statement referred to in subsection (a). Promptly after the completion of the survey, the Director shall determine on the basis of findings and conclusions resulting from the survey whether the accounting systems and internal controls meet those standards and, if not, whether to suspend the grant or contract. In the event of suspension, the assisted agency shall be given not more than six months within which to establish the necessary systems and controls, and, in the event of failure to do so within such time period, the assistance shall be terminated by the Director.

(c) At least once annually the Director shall make or cause to be made an audit of each grant or contract of assistance under this title. Promptly after the completion of such audit, he shall determine on the basis of resulting findings and conclusions whether any of the costs of expenditures incurred shall be disallowed. In the event of disallowance, the Director may seek recovery of the sums involved by appropriate means, including court action or a commensurate increase in the required non-Federal share of the costs of any grant or contract with the same agency or organization which is then in effect or which is entered into within twelve months after the date of disallowance.

(d) The Director shall establish such other requirements and take such actions as he may deem necessary and appropriate to carry out the provisions of this section and to insure fiscal responsibility and

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accountability, and the effective and efficient handling of funds in connection with programs assisted under this title. These requirements and actions shall include (1) necessary action to assure that the rate of expenditure of any agency receiving financial assistance does not exceed the rate contemplated under its approved program; and (2) appropriate requirements to promote the continuity and coordination of all projects or components of programs receiving financial assistance under this title, including provision for the periodic reprograming and supplementation of assistance previously provided.

SPECIAL LIMITATIONS

SEC. 244. The following special limitations shall apply, as indicated, to programs under this title.

(1) Financial assistance under this title may include funds to provide a reasonable allowance for attendance at meetings of any community action agency governing board, neighborhood council or committee, as appropriate to assure and encourage the maximum feasible participation of members of groups and residents of areas served in accordance with the purposes of this title, and to provide reimbursement of actual expenses connected with those meetings; but those funds (or matching non-Federal funds) may not be used to pay allowances in the case of any individual who is a Federal, State, or local government employee, or an employee of a community action agency, or for payment of an allowance to any individual for attendance at more than two meetings a month.

(2) The Director shall issue necessary rules or regulations to assure that no employee engaged in carrying out community action program activities receiving financial assistance under this title is compensated from funds so provided at a rate in excess of $15,000 per annum, and that any amount paid to such an employee at a rate in excess of $15,000 per annum shall not be considered in determining whether the non-Federal contributions requirements of section 225(c) have been complied with; the Director may, however, provide in those rules or regulations for exceptions covering cases (particularly in large metropolitan areas) where, because of the need for specialized or professional skills or prevailing local salary levels, application of the foregoing restriction would greatly impair program effectiveness or otherwise be inconsistent with the purposes sought to be achieved.

(3) No officer or employee of the Office of Economic Opportunity [1] shall serve as member of a board, council, or committee of any agency serving as grantee, contractor, or delegate agency in connection with a program receiving financial assistance under this title; but this shall not prohibit an officer or employee from serving on a board, council, or committee which does not have any authority or powers in connection with a program assisted under this title.

(4) In granting financial assistance for projects or activities in the field of family planning, the Director shall assure that family planning services, including the dissemination of family planning information and medical assistance and supplies, are made available to all low-income individuals who meet the cri-

[1] Should read "Community Services Administration".

teria for eligibility for assistance under this title which have been established by the assisted agency and who desire such information, assistance, or supplies. The Director shall require, in connection with any such financial assistance, that—

(A) no individual will be provided with any information, medical supervision, or supplies which that individual indicates are inconsistent with his or her moral, philosophical, or religious beliefs; and

(B) no individual will be provided with any medical supervision or supplies unless he or she has voluntarily requested such medical supervision or supplies.

The use of family planning services assisted under this title shall not be a prerequisite to the receipt of services from or participation in any other programs under this Act.

(5) No financial assistance shall be extended under this title to provide general aid to elementary or secondary education in any school or school system; but this shall not prohibit the provision of special, remedial, and other noncurricular educational assistance.

(6) In extending assistance under this title the Director shall give special consideration to programs which make maximum use of existing schools, community centers, settlement houses, and other facilities during times they are not in use for their primary purpose.

(7) No financial assistance shall be extended under this title in any case in which the Director determines that the costs of developing and administering all of the programs assisted under this title carried on by or under the supervision of any community action agency exceed 15 per centum of the total costs, including non-Federal contributions to such costs, of such programs. The Director, after consultation with the Director of the Bureau of the Budget,[1] shall establish by regulation, criteria for determining (i) the costs of developing and administering such programs, and (ii) the total costs of such programs. In any case in which the Director determines that the cost of administering such programs does not exceed 15 per centum of such total costs but is, in his judgment, excessive, he shall forthwith require such community action agency to take such steps prescribed by him as will eliminate such excessive administrative cost, including the sharing by one or more such community action agencies of a common director and other administrative personnel. The Director may waive the limitation prescribed by this paragraph for specific periods of time not to exceed six months whenever he determines that such a waiver is necessary in order to carry out the purposes of this title.

(8) Consistent with the provisions of this Act, the Director shall assure that financial assistance under this title will be distributed on an equitable basis in any community and within any State so that all significant segments of the low-income population are being served.

DURATION OF PROGRAM

SEC. 245. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the eleven

[1] Should read "Director of the Office of Management and Budget".

succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law.

TITLE III—SPECIAL PROGRAMS TO COMBAT POVERTY IN RURAL AREAS

PART A—RURAL LOAN PROGRAMS

STATEMENT OF PURPOSE

SEC. 301. It is the purpose of this part to meet some of the special needs of low-income rural families by establishing a program of loans to assist in raising and maintaining their income living standards.

LOANS TO FAMILIES

SEC. 302.(a) The Director is authorized to make loans having a maximum maturity of 15 years and in amounts not resulting in an aggregate principal indebtedness of more than $3,500 at any one time to any low income rural family where, in the judgment of the Director, such loans have a reasonable possibility of effecting a permanent increase in the income of such families, or, in the case of the elderly, will contribute to the improvement of their living or housing condition by assisting or permitting them to—

(A) acquire or improve real estate or reduce encumbrances or erect improvements thereon

(B) operate or improve the operation of farms not larger than family sized, including but not limited to the purchase of feed, seed, fertilizer, livestock, poultry, and equipment, or

(C) participate in cooperative associations; and/or to finance non-agricultural enterprises which will enable such families to supplement their income.

(b) Loans under this section shall be made only if the family is not qualified to obtain such funds by loan under other Federal programs.

COOPERATIVE ASSOCIATIONS

SEC. 303. The Director is authorized to make loans to local cooperative associations furnishing essential processing, purchasing, or marketing services, supplies, or facilities predominantly to low-income rural families.

LIMITATIONS ON ASSISTANCE

SEC. 304. No financial or other assistance shall be provided under this part unless the Director determines that—

(a) the providing of such assistance will materially further the purposes of this part, and

(b) in the case of assistance provided pursuant to section 303, the applicant is fulfilling or will fulfill a need for services, facilities, or activities which is not otherwise being met.

LOAN TERMS AND CONDITIONS

SEC. 305. Loans pursuant to sections 302 and 303 shall have such terms and conditions as the Director shall determine, subject to the following limitations:

(a) there is reasonable assurance of repayment of the loan;

(b) the credit is not otherwise available on reasonable terms from private sources or other Federal, State, or local programs;

(c) the amount of the loan, together with other funds available, is adequate to assure completion of the project or achievement of the purposes for which the loan is made;

(d) the loan bears interest at a rate not less than (1) a rate determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding Treasury obligations of comparable maturity, plus (2) such additional charge, if any, toward covering other costs of the program as the Director may determine to be consistent with its purposes;

(e) with respect to loans made pursuant to section 303, the loan is repayable within not more than thirty years; and

(f) no financial or other assistance shall be provided under this part to or in connection with any corporation or cooperative organization for the production of agricultural commodities or for manufacturing purposes: *Provided*, that (1) packing, canning, cooking, freezing, or other processing used in preparing or marketing edible farm products, including dairy products, shall not be regarded as manufacturing merely by reason of the fact that it results in the creation of a new or different substance; and (2) a cooperative organization formed by and consisting of members of an Indian tribe (including any tribe with whom the special Federal relationship with Indians has been terminated) engaged in the production of agricultural commodities, or in manufacturing products, on an Indian reservation (or former reservation in the case of tribes with whom the special Federal relationship with Indians has been terminated) shall not be regarded as a cooperative organization within the purview of this clause.

REVOLVING FUND

SEC. 306. (a) To carry out the lending and guaranty functions authorized under this part there is authorized to be established a revolving fund. The capital of the fund shall consist of such amounts as may be advanced to it by the Director from funds appropriated pursuant to section 321 and shall remain available until expended.

(b) The Director shall pay into miscellaneous receipts of the Treasury, at the close of each fiscal year, interest on the capital of the fund at a rate determined by the Secretary of the Treasury, taking into consideration the average market yield on outstanding Treasury obligations of comparable maturity during the last month of the preceding fiscal year. Interest payments may be deferred with the approval of the Secretary of the Treasury, but any interest payments so deferred shall themselves bear interest.

(c) Whenever any capital in the fund is determined by the Director to be in excess of current needs, such capital shall be credited to the appropriation from which advanced, where it shall be held for future advances.

(d) Receipts from any lending and guaranty operations under this part shall be credited to the fund. The fund shall be available for the payment of all expenditures of the Director for loans, participations, and guaranties authorized under this part.

Part B—Assistance for Migrant, and Other Seasonally Employed, Farmworkers and Their Families

STATEMENT OF PURPOSE

Sec. 311. The purpose of this part is to assist migrant and seasonal farmworkers and their families to improve their living conditions and develop skills necessary for a productive and self-sufficient life in an increasingly complex and technological society.

FINANCIAL ASSISTANCE

Sec. 312. (a) The Director may provide financial assistance to assist State and local agencies, private nonprofit institutions and cooperatives in developing and carrying out programs to fulfill the purpose of this part.

(b) Programs assisted under this part may include projects or activities—

(1) to meet the immediate needs of migrant and seasonal farmworkers and their families, such as day care for children, education, health services, improved housing and sanitation (including the provision and maintenance of emergency and temporary housing and sanitation facilities), legal advice and representation, and consumer training and counseling;

(2) to promote increased community acceptance of migrant and seasonal farmworkers and their families; and

(3) to equip unskilled migrant and seasonal farmworkers and members of their families as appropriate through education and developmental programs to meet the changing demands in agricultural employment brought about by technological advancement and to take advantage of opportunities available to improve their well-being and self-sufficiency by gaining regular or permanent employment or by participating in available Government employment or training programs.

LIMITATIONS ON ASSISTANCE

Sec. 313 (a) Assistance shall not be extended under this part unless the Director determines that the applicant will maintain its prior level of effort in similar activities.

(b) The Director shall establish necessary procedures or requirements to assure that programs under this part are carried on in coordination with other programs or activities providing assistance to the persons and groups served.

TECHNICAL ASSISTANCE, TRAINING, AND EVALUATION

Sec. 314. The Director may provide directly or through grants, contracts, or other arrangements, such technical assistance or training of personnel as may be required to implement effectively the purposes of this title.

SPECIAL RESPONSIBILITIES

Sec. 315. The Director shall be responsible for coordinating programs under this part with other Federal programs designed to assist

or serve migrant and seasonal farmworkers, and for reviewing and monitoring such programs.

Part C—Duration of Program

Sec. 321. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the eleven succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law.

TITLE IV—COMPREHENSIVE HEALTH SERVICES

COMPREHENSIVE HEALTH SERVICES

Sec. 401. (a) The Secretary shall establish within the Department of Health, Education, and Welfare a "Comprehensive Health Services" program which shall include—

(1) programs to aid in developing and carrying out comprehensive health services projects focused upon the needs of urban and rural areas having high concentrations or proportions of poverty and marked inadequacy of health services for the poor. These projects shall be designed—

(A) to make possible, with maximum feasible use of existing agencies and resources, the provision of comprehensive health services, such as preventive medical, diagnostic, treatment, rehabilitation, family planning, narcotic addiction and alcoholism prevention and rehabilitation, mental health, dental, and followup services, together with necessary related facilities and services, except in rural areas where the lack of even elemental health services and personnel may require simpler, less comprehensive services to be established first; and

(B) to assure that these services are made readily accessible to low-income residents of such areas, are furnished in a manner most responsive to their needs and with their participation and wherever possible are combined with, or included within, arrangements for providing employment, education, social, or other assistance needed by the families and individuals served except that pursuant to such regulations as the Secretary of Health, Education, and Welfare may prescribe, persons provided assistance through programs assisted under this paragraph who are not members of low-income families may be required to make payment, or have payment made in their behalf, in whole or in part for such assistance; and

(2) programs to provide financial assistance to public or private agencies to projects designed to develop knowledge or enhance skills in the field of health services for the poor. Such projects shall encourage both prospective and practicing health professionals to direct their talents and energies toward providing health services for the poor.

Funds for financial assistance under paragraph (1) of this subsection shall be allotted according to need, and capacity of applicants to make rapid and effective use of that assistance, and may be used as neces-

sary to pay the full costs of projects. Before approving any project, the Secretary shall solicit and consider the comments and recommendations of the local medical associations in the area and shall consult with appropriate Federal, State, and local health agencies and take such steps as may be required to assure that the program will be carried out under competent professional supervision and that existing agencies providing related services are furnished all assistance needed to permit them to plan for participation in the program and for the necessary continuation of those related services. In carrying out the provisions of paragraph (2) of this subsection, the Secretary is authorized to provide or arrange for training and study in the field of health services for the poor.

(b) Pursuant to regulations prescribed by him, the Secretary may arrange for the payment of stipends and allowances (including travel and subsistence expenses) for persons undergoing such training and study and for their dependents.

(c) The Secretary shall achieve effective coordination of programs and projects authorized under this section with other related activities.

DRUG REHABILITATION AND ALCOHOLIC COUNSELING PROGRAMS

SEC. 402. In addition to the authority conferred under section 401 of this title the Secretary is authorized, as part of the Comprehensive Health Services program, to carry out the following programs:

(1) An "Alcoholic Counseling and Recovery" program designed to discover and treat the disease of alcoholism. Such program should be community based, serve the objective of the maintenance of the family structure as well as the recovery of the individual alcoholic, encourage the use of neighborhood facilities and the services of recovered alcoholics as counselors, and emphasize the reentry of the alcoholic into society rather than the institutionalization of the alcoholic.

(2) A "Drug Rehabilitation" program designed to discover the causes of drug abuse and addiction, to treat narcotic and drug addiction and the dependence associated with drug abuse, and to rehabilitate the drug abuser and drug addict. Such program should deal with the abuse or addiction resulting from the use of narcotic drugs such as heroin, opium, and cocaine, stimulants such as amphetamines, depressants, marihuana, hallucinogens, and tranquilizers. Such program should be community based, serve the objective of the maintenance of the family structure as well as the recovery of the individual drug abuser or addict, encourage the use of neighborhood facilities and the services of recovered drug abusers and addicts as counselors, and emphasize the reentry of the drug abuser and addict into society rather than his institutionalization. The Secretary is authorized to undertake special programs aimed at promoting employment opportunities for rehabilitated addicts or addicts enrolled and participating in methadone maintenance treatment or therapeutic programs, and assisting employers in dealing with addiction and drug abuse and dependency problems among formerly hardcore unemployed so that they can be maintained in employment. In undertaking such programs, the Secretary shall give special priority to veterans and employers of significant numbers of veterans, with priority to those areas within the States having the highest percentages of addicts. The Secretary is further authorized to establish procedures and policies which will allow clients

to complete a full course of rehabilitation even though they become non-low-income by virtue of becoming employed as a part of the rehabilitation process but there shall be no change in income eligibility criteria for initial admission to treatment and rehabilitation programs under this Act.

TITLE V—HEADSTART AND FOLLOW THROUGH

SHORT TITLE

SEC. 501. This title may be cited as the "Headstart-Follow Through Act" (hereinafter in this title referred to as the "Act").

STATEMENT OF PURPOSE

SEC. 502. In recognition of the role which Project Headstart has played in the effective delivery of comprehensive health, educational, nutritional, social, and other services to economically disadvantaged children and their families, the Act extends the authority for appropriation of funds for that program.

POLICY WITH RESPECT TO INDIAN AND MIGRANT CHILDREN

SEC. 503. In carrying out the purposes of part A the Secretary shall continue the administrative arrangement responsible for meeting the needs of migrant and Indian children and shall assure that appropriate funding is provided to meet such needs.

PART A—HEADSTART PROGRAMS

FINANCIAL ASSISTANCE FOR HEADSTART PROGRAMS

SEC. 511. The Secretary may, upon application by an agency which is eligible for designation as a Headstart agency pursuant to section 514, provide financial assistance to such agency for the planning, conduct, administration, and evaluation of a Headstart program focused primarily upon children from low-income families who have not reached the age of compulsory school attendance which (1) will provide such comprehensive health, nutritional, educational, social, and other services as will aid the children to attain their full potential, and (2) will provide for direct participation of the parents of such children in the development, conduct, and overall program direction at the local level.

AUTHORIZATION OF APPROPRIATIONS

SEC. 512. There are authorized to be appropriated for carrying out the purposes of this part such sums as may be necessary for fiscal years 1975 through 1977.

ALLOTMENT OF FUNDS; LIMITATIONS ON ASSISTANCE

SEC. 513. (a) Of the sums appropriated pursuant to section 512 for any fiscal year beginning after June 30, 1975, the Secretary shall allot not more than 2 per centum among Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands, accord-

ing to their respective needs. In addition, the Secretary shall reserve not more than 20 per centum of the sums so appropriated for use in accordance with such criteria and procedures as he may prescribe. The remainder shall be allotted among the States, in accordance with the latest satisfactory available data, so that equal proportions are distributed on the basis of (1) the relative number of public assistance recipients in each State as compared to all States, and (2) the relative number of related children living with families with incomes below the poverty line in each State as compared to all States; but there shall be made available, for use by Headstart programs within each State, no less funds for any fiscal year than were obligated for use by Headstart programs within such State with respect to fiscal year 1975. Allocation of such increases within each State shall, to the extent feasible, be made in such manner as to reflect the proportionate increases in program costs incurred by grantees, in accordance with regulations which the Secretary shall prescribe for this purpose. For the purpose of this subsection, the Secretary shall utilize the criteria of poverty used by the Bureau of the Census in compiling the 1970 decennial census.

(b) Financial assistance extended under this part for a Headstart program shall not exceed 80 per centum of the approved costs of the assisted program or activities, except that the Secretary may approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this part. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, or services. The Secretary shall not require non-Federal contributions in excess of 20 per centum of the approved costs of programs or activities assisted under this part.

(c) No programs shall be approved for assistance under this part unless the Secretary is satisfied that the services to be provided under such program will be in addition to, and not in substitution for, comparable services previously provided without Federal assistance. The requirement imposed by the preceding sentence shall be subject to such regulations as the Secretary may prescribe.

(d) The Secretary shall establish policies and procedures designed to assure that for fiscal year 1975 not less than 10 per centum of the total number of enrollment opportunities in Headstart programs in the Nation shall be available for handicapped children and that for fiscal year 1976 and thereafter no less than 10 per centum of the total number of enrollment opportunities in Headstart programs in each State shall be available for handicapped children (as defined in paragraph (1) of section 602 of the Education of the Handicapped Act) and that services shall be provided to meet their special needs. The Secretary shall report to the Congress at least annually on the status of handicapped children in Headstart programs, including the number of children being served, their handicapping conditions, and the services being provided such children.

(e) The Secretary shall adopt appropriate administrative measures to assure that the benefits of this part will be distributed equitably between residents of rural and urban areas.

DESIGNATION OF HEADSTART AGENCIES

SEC. 514. (a) The Secretary is authorized to designate as a Headstart agency and local public or private nonprofit agency which (1)

has the power and authority to carry out the purposes of this part and perform the functions set forth in section 515 within a community, and (2) is determined by the Secretary to be capable of planning, conducting, administering, and evaluating, either directly or by other arrangements, a Headstart program.

(b) For the purposes of this title, a community may be a city, county, or multicity or multicounty unit within a State, an Indian reservation, or a neighborhood or other area (irrespective of boundaries or political subdivisions) which provides a suitable organizational base and possesses the commonality of interest needed to operate a Headstart program.

(c) In the administration of the provisions of this section, the Secretary shall give priority in the designation of Headstart agencies to any local public or private nonprofit agency which is receiving funds under any Headstart program on the date of the enactment of this Act, except that the Secretary shall, before giving such priority, determine that the agency involved meets program and fiscal requirements established by the Secretary.

POWERS AND FUNCTIONS OF HEADSTART AGENCIES

SEC. 515. (a) In order to be designated as a Headstart agency under this part, an agency must have authority under its charter or applicable law to receive and administer funds under this part, funds and contributions from private or local public sources which may be used in support of a Headstart program, and funds under any Federal or State assistance program pursuant to which a public or private nonprofit agency (as the case may be) organized in accordance with this part, could act as grantee, contractor, or sponsor of projects appropriate for inclusion in a Headstart program. Such an agency must also be empowered to transfer funds so received, and to delegate powers to other agencies, subject to the powers of its governing board and its overall program responsibilities. This power to transfer funds and delegate powers must include the power to make transfers and delegations covering component projects in all cases where this will contribute to efficiency and effectiveness or otherwise further program objectives.

(b) In order to be so designated, a Headstart agency must also (1) establish effective procedures by which parents and area residents concerned will be enabled to influence the character of programs affecting their interests, (2) provide for their regular participation in the implementation of such programs, and (3) provide technical and other support needed to enable parents and area residents to secure on their own behalf available assistance from public and private sources.

SUBMISSION OF PLANS TO GOVERNORS

SEC. 516. In carrying out the provisions of this part, no contract, agreement, grant, or other assistance shall be made for the purpose of carrying out a Headstart program within a State unless a plan setting forth such proposed contract, agreement, grant, or other assistance has been submitted to the Governor of the State, and such plan has not been disapproved by the Governor within thirty days of such submission, or, if so disapproved, has been reconsidered by the Secretary and found by him to be fully consistent with the pro-

visions and in furtherance of the purposes of this part. Funds to cover the costs of the proposed contract, agreement, grant, or other assistance shall be obligated from the appropriation which is current at the time the plan is submitted to the Governor. This section shall not, however, apply to contracts, agreements, grants, loans, or other assistance to any institution of higher education in existence on the date of enactment of this Act.

ADMINISTRATIVE REQUIREMENTS AND STANDARDS

SEC. 517. (a) Each Headstart agency shall observe standards of organizations, management, and administration which will assure, so far as reasonably possible, that all program activities are conducted in a manner consistent with the purposes of this part and the objective of providing assistance effectively, efficiently, and free of any taint of partisan political bias or personal or family favoritism. Each such agency shall establish or adopt rules to carry out this section, which shall include rules to assure full staff accountability in matters governed by law, regulatory, or agency policy. Each agency shall also provide for reasonable public access to information, including but not limited to public hearings at the request of appropriate community groups and reasonable public access to books and records of the agency or other agencies engaged in program activities or operations involving the use of authority of funds for which it is responsible. Each such agency shall adopt for itself and other agencies using funds or exercising authority for which it is responsible, rules designed to establish specific standards, governing salaries, salary increases, travel and per diem allowances, and other employee benefits; to assure that only personnel capable of discharging their duties with competence and integrity are employed and that employees are promoted or advanced under impartial procedures calculated to improve agency performance, and effectiveness; to guard against personal or financial conflicts of interest; and to define employee duties in an appropriate manner which will in any case preclude employees from participating, in connection with the performance of their duties, in any form of picketing, protest, or other direct action which is in violation of law.

(b) No financial assistance shall be extended under the Act in any case in which the Secretary determines that the costs of developing and administering a program assisted under the Act exceed 15 per centum of the total costs, including non-Federal contributions to such costs, of such program. The Secretary shall establish by regulation, criteria for determining (i) the costs of developing and administering such program and (ii) the total costs of such program. In any case in which the Secretary determines that the cost of administering such program does not exceed 15 per centum of such total costs but is, in his judgment, excessive, he shall forthwith require the recipient of such financial assistance to take such steps prescribed by him as will eliminate such excessive administrative cost, including the sharing by one or more Headstart agencies of a common director and other administrative personnel. The Secretary may waive the limitation prescribed by this paragraph for specific periods of time not to exceed six months whenever he determines that such a waiver is necessary in order to carry out the purposes of the Act.

(c) The Secretary shall prescribe rules or regulations to supplement subsection (a) of this section, which shall be binding on all agencies carrying on Headstart program activities with financial assistance under this part. He may, where appropriate, establish special or simplified requirements for smaller agencies or agencies operating in rural areas. Policies and procedures shall be established to insure that indirect costs attributable to the common or joint use of facilities and services by programs assisted under this part and other programs shall be fairly allocated among the various programs which utilize such facilities and services.

(d) At least thirty days prior to their effective date, all rules, regulations, guidelines, instructions, and application forms shall be published in the Federal Register and shall be sent to each grantee with the notification that each such grantee has the right to submit comments pertaining thereto to the Secretary prior to the final adoption thereof.

PARTICIPATION IN HEADSTART PROGRAMS

SEC. 518. (a) The Secretary shall by regulation prescribe eligibility for the participation of persons in Headstart programs assisted under this part. Such criteria may provide (1) that children from low-income families shall be eligible for participation in programs assisted under this part if their families are below the poverty line, or if their families are eligible or in the absence of child care would potentially be eligible for public assistance; and (2) pursuant to such regulations as the Secretary shall prescribe that programs assisted under this part may include, to a reasonable extent, participation of children in the area served who would benefit from such programs but whose families do not meet the low-income criteria prescribed pursuant to clause (1).

(b) The Secretary shall not prescribe any fee schedule or otherwise provide for the charging of any fees for participation in Headstart programs, unless such fees are authorized by legislation hereafter enacted. Nothing in this subsection shall be construed to prevent the families of children who participate in Headstart programs and who are willing and able to pay the full cost of such participation from doing so.

APPEALS, NOTICE, AND HEARING

SEC. 519. The Secretary shall prescribe procedures to assure that—

(1) special notice of and an opportunity for a timely and expeditious appeal to the Secretary will be provided for an agency or organization which desires to serve as a delegate agency under this part and whose application to the Headstart agency has been wholly or substantially rejected or has not been acted upon within a period of time deemed reasonable by the Secretary, in accordance with regulations which he shall prescribe;

(2) financial assistance under this part shall not be suspended, except in emergency situations, unless the recipient agency has been given reasonable notice and opportunity to show cause why such action should not be taken; and

(3) financial assistance under this part shall not be terminated, an application for refunding shall not be denied, and a suspension of financial assistance shall not be continued for longer than

thirty days, unless the recipient has been afforded reasonable notice and opportunity for a full and fair hearing.

RECORDS AND AUDITS

SEC. 520. (a) Each recipient of financial assistance under this part shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such financial assistance, the total cost of the project or undertaking in connection with which such financial assistance is given or used, the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the recipients that are pertinent to the financial assistance received under this part.

TECHNICAL ASSISTANCE AND TRAINING

SEC. 521. The Secretary may provide, directly, or through grants or other arrangements, (1) technical assistance to communities in developing, conducting, and administering programs under this part, and (2) training for specialized or other personnel needed in connection with Headstart programs.

RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

SEC. 522. (a) The Secretary may provide financial assistance through grants or contracts for research, demonstration, or pilot projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise in furthering the purposes of this part.

(b) The Secretary shall establish an overall plan to govern the approval of research, demonstration, or pilot projects and the use of all research authority under this part. Such plan shall set forth specific objectives to be achieved and priorities among such objectives.

ANNOUNCEMENT OF RESEARCH, DEMONSTRATION, AND PILOT PROJECTS CONTRACTS

SEC. 523. (a) The Secretary shall make a public announcement concerning—

(1) the title, purpose, intended completion date, identity of the grantee or contractor, and proposed cost of any grant or contract with a private or non-Federal public agency or organization for any research, demonstration, or pilot project under this title; and

(2) the results, findings, data, or recommendations made or reported as a result of such activities.

(b) The public announcements required by subsection (a) of this section shall be made within thirty days of making such grants or contracts, and the public announcements required by subsection (b) of this section shall be made within thirty days of the receipt of such results.

(c) The Director shall take necessary action to assure that all studies, proposals, and data produced or developed with Federal funds employed under this title shall become the property of the United States.

(d) The Director shall publish summaries of the results of activities carried out pursuant to this title not later than ninety days after the completion thereof. The Director shall submit to the appropriate committees of the Congress copies of all such summaries.

EVALUATION

SEC. 524. (a) The Secretary shall provide, directly or through grants or contracts, for the continuing evaluation of programs under this part, including evaluations that measure and evaluate the impact of programs authorized by this part, in order to determine their effectiveness in achieving stated goals, their impact on related programs, and their structure and mechanism for delivery of services, including, where appropriate, comparisons with appropriate control groups composed of persons who have not participated in such programs. Evaluations shall be conducted by persons not directly involved in the administration of the program or project evaluation.

(b) Prior to obligating funds for the programs and projects covered by this part with respect to fiscal year 1976, the Secretary shall develop and publish general standards for evaluation of program and project effectiveness in achieving the objectives of this part. The extent to which such standards have been met shall be considered in deciding whether to renew or supplement financial assistance authorized under this part.

(c) In carrying out evaluations under this part, the Secretary may require Headstart agencies to provide for independent evaluations.

(d) In carrying out evaluations under this part, the Secretary shall, whenever feasible, arrange to obtain the specific views of persons participating in and served by programs and projects assisted under this part about such programs and projects.

(e) The Secretary shall publish the results of evaluative research and summaries of evaluations of program and project impact and effectiveness not later than ninety days after the completion thereof. The Secretary shall submit to the appropriate committee of the Congress copies of all such research studies and evaluation summaries.

(f) The Secretary shall take the necessary action to assure that all studies, evaluations, proposals, and data produced or developed with assistance under this part shall become the property of the United States.

POVERTY LINE

SEC. 525. (a) The Secretary shall revise annually (or at any shorter interval he deems feasible and desirable) a poverty line which, except as provided in section 518, shall be used as a criterion of eligibility for participation in Headstart programs.

(b) The revision required by subsection (a) of this section shall be accomplished by multiplying the official poverty line (as defined by the Office of Management and Budget) by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made.

(c) Revisions required by subsection (a) of this section shall be made and issued not more than thirty days after the date on which the necessary Consumer Price Index data becomes available.

Part B—Follow Through Programs

financial assistance for follow through programs

Sec. 551. (a)(1) The Secretary is authorized to provide financial assistance in the form of grants to local educational agencies, combinations of such agencies, and, as provided in paragraph (2) of this subsection, any other public or appropriate nonprofit private agencies, organizations, and institutions for the purpose of carrying out Follow Through programs focused primarily on children from low-income families in kindergarten and primary grades, including such children enrolled in private nonprofit elementary schools, who were previously enrolled in Headstart or similar programs.

(2) Whenever the Secretary determines (A) that a local educational agency receiving assistance under paragraph (1) is unable or unwilling to include in a Follow Through program children enrolled in nonprofit private schools who would otherwise be eligible to participate therein, or (B) that it is otherwise necessary in order to accomplish the purposes of this section he may provide financial assistance for the purpose of carrying out a Follow Through program to any other public or appropriate nonprofit private agency, organization, or institution.

(3) Programs to be assisted under this section shall provide such comprehensive services as the Secretary determines will aid in the continued development of children described in paragraph (1) to their full potential. Such projects shall provide for the direct participation of the parents of such children in the development, conduct, and overall direction of the program at the local level. If the Secretary determines that participation in the project of children who are not from low-income families will serve to carry out the purposes of this section, he may provide for the inclusion of such children from non-low-income families, but only to the extent that their participation will not dilute the effectiveness of the services designed for children described in paragraph (1) of this subsection.

authorization of appropriations

Sec. 552. (a) There are authorized to be appropriated for carrying out the purposes of this part $60,000,000 for the fiscal year 1975, and for each of the two succeeding fiscal years. Funds so appropriated shall remain available for obligation and expenditure during the fiscal year succeeding the fiscal year for which they are appropriated.

(b) Financial assistance extended under this part for a Follow Through program shall not exceed 80 per centum of the approved costs of the assisted program or activities, except that the Secretary may approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this part. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, or services. The Secre-

tary shall not require non-Federal contributions in excess of 20 per centum of the approved costs of programs or activities assisted under this part.

(c) No project shall be approved for assistance under this part unless the Secretary is satisfied that the services to be provided under such project will be in addition to, and not in substitution for, services previously provided without Federal assistance. The requirement imposed by the preceding sentence shall be subject to such regulations as the Secretary may adopt.

RESEARCH, DEMONSTRATION, AND PILOT PROJECTS; EVALUATION; AND TECHNICAL ASSISTANCE ACTIVITIES

SEC. 553. (a) In conjunction with other activities authorized by this part, the Secretary may—

(1) provide financial assistance by contract or otherwise, for research, demonstration, or pilot projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise in furthering the purposes of this part;

(2) provide, directly or through grants or contracts, for the continuing evaluation of projects assisted under this part, including evaluations that describe and measure the impact of such projects their effectiveness in achieving stated goals, their impact on related programs, and their structure and mechanisms for delivery of services, including, where appropriate, comparisions with appropriate control groups composed of persons who have not participated in such projects, which evaluations shall be conducted by persons not directly involved in the administration of the project evaluated; and

(3) provide, directly or through grants or other appropriate arrangements, (A) technical assistance to Follow Through programs in developing, conducting, and administering programs under this part, and (B) training for specialized or other personnel which is needed in connection with Follow Through programs.

SPECIAL CONDITIQNS

SEC. 554. (a) Recipients of financial assistance under this part shall provide maximum employment opportunities for residents of the area to be served, and to parents of children who are participating in projects assisted under this part.

(b) Financial assistance under this part shall not be suspended for failure to comply with applicable terms and conditions, except in emergency situations, nor shall an application for refunding be denied, unless the recipient agency has been given reasonable notice and opportunity to show cause why such action should not be taken.

(c) Financial assistance under this part shall not be terminated for failure to comply with applicable terms and conditions unless the recipient has been afforded reasonable notice and opportunity for a full and fair hearing.

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Part C—General Provisions

DEFINITIONS

Sec. 571. As used in this title, the term—

(1) "Secretary" means the Secretary of Health, Education, and Welfare;

(2) "State" means a State, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands; except that when used in section 513(a) of this title, the term means only a State, Puerto Rico, or the District of Columbia; and

(3) "financial assistance" includes assistance provided by grant, agreement, or contract, and payments may be made in installments and in advance or by way of reimbursement with necessary adjustments on account of overpayments or underpayments.

LABOR STANDARDS

Sec. 572. All laborers and mechanics employed by contractors or subcontractors in the construction, alteration, or repair, including painting and decorating of projects, buildings, and works which are federally assisted under this title shall be paid wages at rates not less that those prevailing or similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act as amended (40 U.S.C. 276a—276a–5). The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133—133z–15), and section 2 of the Act of June 1, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(C)).

COMPARABILITY OF WAGES

Sec. 573. (a) The Secretary shall take action as may be necessary to assure that persons employed in carrying out programs financed under this title shall not receive compensation at a rate which is (1) in excess of the average rate of compensation paid in the area where the program is carried out to a substantial number of the persons providing substantially comparable services, or in excess of the average rate of compensation paid to a substantial number of the persons providing substantially comparable services in the area of the person's immediately preceding employment, whichever is higher or (2) less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938.

NONDISCRIMINATION PROVISIONS

Sec. 574. (a) The Secretary shall not provide financial assistance for any program, project, or activity under this title unless the grant or contract with respect thereto specifically provides that no person with responsibilities in the operation thereof will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex, political affiliation, or beliefs.

(b) No person in the United States shall on the ground of sex be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under this title. The Director shall enforce the provisions of the preceding sentence in accordance with section 602 of the Civil Rights Act of 1964. Section 603 of such Act shall apply with respect to any action taken by the Secretary to enforce such sentence. This section shall not be construed as affecting any other legal remedy that a person may have if that person is excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in connection with, any program, project, or activity receiving assistance under this title.

LIMITATION WITH RESPECT TO CERTAIN UNLAWFUL ACTIVITIES

SEC. 575. No individual employed or assigned by any Headstart agency or other agency assisted under this title shall, pursuant to or during the performance of services rendered in connection with any program or activity conducted or assisted under this part by such Headstart agency or such other agency, plan, initiate, participate in, or otherwise aid or assist in the conduct or any unlawful demonstration, rioting, or civil disturbance.

POLITICAL ACTIVITIES

SEC. 576. (a) For purposes of chapter 15 of title 5 of the United States Code any agency which assumes responsibility for planning, developing, and coordinating Headstart programs and receives assistance under this title shall be deemed to be a State or local agency; and for purposes of clauses (1) and (2) of section 1502(a) of such title any agency receiving assistance under this title shall be deemed to be a State or local agency.

(b) Programs assisted under this title 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 (1) any partisan or nonpartisan political activity or any other political activity associated with a candidate or contending faction or group, in an election for public or party office, (2) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election, or (3) any voter registration activity. The Secretary, after consultation with the Civil Service Commission, shall issue rules and regulations to provide for the enforcement of this section, which shall include provisions for summary suspension of assistance or other action necessary to permit enforcement on an emergency basis.

ADVANCE FUNDING

SEC. 577. For the purpose of affording adequate notice of funding available under this title, appropriations for carrying out this title are authorized to be included in an appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

PART D—DAY CARE PROJECTS

STATEMENT OF PURPOSE

SEC. 581. The purpose of this part is to provide day care for children from families which need such assistance to become or remain self-sufficient or otherwise to obtain objectives related to the purposes of this Act, with particular emphasis upon enabling the parents or relatives of such children to choose to undertake or to continue basic education, vocational training, or gainful employment.

FINANCIAL ASSISTANCE FOR DAY CARE PROJECTS

SEC. 582. (a) The Secretary is authorized to provide financial assistance to appropriate public agencies and private organizations to pay not to exceed 90 per centum of the cost of planning, conducting, administering, and evaluating projects under which children from low-income families or from urban and rural areas with large concentrations or proportions of low-income persons may receive day care. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment and services. Such day care projects shall provide health, education, social, and such other supportive services as may be needed. Financial assistance under this section may be provided to employers, labor unions, or to joint employer-union organizations, for day care projects established at or in association with a place of employment or training where such projects are financed in major part through private funds. Project costs payable under this part may include costs of renovation and alteration of physical facilities. Financial assistance under this section may be provided in conjunction with or to supplement day care projects under the Social Security Act or other relevant statutes.

(b) The Secretary may require a family which is not a low-income family to make payment, in whole or in part, for the day care services provided under this program where the family's financial condition is, or becomes through employment or otherwise, such as to make such payment appropriate.

(c) The Secretary may provide, directly or through contracts or other arrangements, technical assistance and training necessary for the initiation or effective operation of programs under this part.

(d) The Secretary shall take all necessary steps to coordinate programs under his jurisdiction which provide day care, with a view to establishing, insofar as possible, a common set of program standards and regulations, and mechanisms for coordination at the State and local levels. Such standards shall be no less comprehensive than the Federal interagency day care requirements as approved by the Department of Health, Education, and Welfare, the Office of Economic Opportunity, and the Department of Labor on September 23, 1968. In approving applications for assistance under this part, the Secretary shall take into consideration (1) the extent to which applicants show evidence of coordination and cooperation between their projects and other day care programs in the area which they will serve, and (2) the extent to which unemployed or low-income individuals are to be employed, including individuals receiving or eligible to receive assistance under the Social Security Act.

(e) Each project to which payments are made hereunder shall provide for a thorough evaluation. This evaluation shall be conducted by such agency or independent public or private organization as the Secretary shall designate, with a view to determining, among other things, the extent to which the day care provided may have increased the employment of parents and relatives of the children served, the extent to which such day care may have reduced the costs of aid and services to such children, the extent to which such children have received health and educational benefits, and the extent to which the project has been coordinated with other day care activities in the area served. Up to 100 per centum of the costs of evaluation may be paid by the Secretary from funds appropriated for the purposes of carrying out this part, except that where such evaluation is carried on by the assisted agency itself, he may pay only 90 per centum of such costs. Such evaluations, together with a report on the program described in this part, shall be included in the report required by section 608.

DURATION OF PROGRAMS

SEC. 583. The Secretary shall carry out the programs provided for in this part during the fiscal year ending June 30, 1968, and the ten succeeding fiscal years.

TITLE VI—ADMINISTRATION AND COORDINATION

PART A—ADMINISTRATION

COMMUNITY SERVICES ADMINISTRATION

SEC. 601. (a) Upon the date of enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974, there is established within the executive branch an agency known as the "Community Services Administration" which shall be headed by a Director and which shall be, in all respects and for all purposes, the successor authority to the Office of Economic Opportunity. The Director of the Administration shall be appointed by the President by and with the advice and consent of the Senate. The Director shall be compensated at a rate equal to the rate in effect for the compensation of the Director of the Office of Economic Opportunity on the date of the enactment of such Act.

(b) There shall also be in the Administration one Deputy Director and Assistant Directors who shall be appointed by the President, by and with the advice and consent of the Senate. The Deputy Director and the Assistant Directors shall perform such functions as the Director may prescribe. The Deputy Director and the Assistant Directors shall be compensated at a rate equal to the rate in effect for the Deputy Director and the Assistant Directors, respectively, of the Office of Economic Opportunity on the date of enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

(c) Subject to the provisions of subsection (e) of this section, the Administration shall be an independent agency. The Director shall have the responsibility for carrying out titles I, II, III–B, VI, VII, and IX of this Act. The functions of the Director with respect to carrying out titles I, II (except section 232), III–B, VI, VII, and IX of this Act shall not be delegated to any other officer not directly responsi-

ble, both with respect to program operation and administration, to the Director. Beginning after June 15, 1975, the policymaking functions, including the final approval of grants and contracts, of the Director, shall not be delegated to any regional office or official.

(d)(1) All official actions taken by the Director of the Office of Economic Opportunity, his designee, or any other person under the authority of the Economic Opportunity Act of 1964 which are in force on the date of the enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974, and for which there is continuing authority under the provisions of this Act, shall continue in full force and effect until modified, superseded, or revoked by the Director.

(2) All references to the Office of Economic Opportunity, or to the Director of the Office of Economic Opportunity, in any statute, reorganization plan, executive order, regulation, or other official document or proceeding shall, on and after such date, be deemed to refer to the Administration, or to the Director, as the case may be.

(3) No suit, action, or other proceeding, and no cause of action, by or against the Office of Economic Opportunity, or any action by any officer thereof acting in his official capacity, shall abate by reason of the enactment of the Headstart, Economic Opportunity, and Community Partnership Act of 1974.

(4) Persons appointed by the President, by and with the advice and consent of the Senate, to positions in the Office of Economic Opportunity, requiring appointment by and with such advice and consent, may if the President so desires, continue to serve in comparable positions in the Administration; but the President may submit to the Senate nominations for appointment to any or all positions in the Administration, requiring the advice and consent of the Senate.

(e)(1) After March 15, 1975, the President may submit to the Congress a reorganization plan which, subject to the provisions of paragraph (2) of this subsection, shall take effect if such reorganization plan is not disapproved by enactment of a joint resolution which shall be considered in Congress in accordance with the provisions of paragraph (3) of this subsection and the procedures established with respect to reorganization plans by chapter 9 of title 5, United States Code, except to the extent otherwise provided in this Act.

(2) A reorganization plan submitted in accordance with the provisions of paragraph (1) shall provide—

(A) for establishing in the Department of Health, Education, and Welfare a Community Services Administration—

(i) which shall be headed by a Director,

(ii) which shall be the principal agency, and the Director of which shall be the principal officer, for carrying out titles I, II, III–B, VI, and IX of this Act, and which, with respect to such provisions, shall be the successor authority to the Community Services Administration established by subsection (a) of this section.

(iii) the Director of which shall be, in the performance of his functions, directly responsible to the Secretary, and

(iv) in which no policymaking functions, including the final approval of grants or contracts, of the Director shall be delegated to any regional office or official.

(B) for establishing in the Department of Commerce a Community Economic Development Administration—

(i) which shall be headed by a Director,

(ii) which shall be the principal agency, and the Director of which shall be the principal officer, for carrying out title VII of this Act, and which, with respect to such provisions, shall be the successor authority to the Community Services Administration established by subsection (a) of this section,

(iii) the Director of which shall be, in the performance of his functions, directly responsible to the Secretary of Commerce, and

(iv) in which no policymaking functions, including the final approval of grants or contracts, of the Director shall be delegated to any regional office or official.

(3) For the purpose of this subsection and chapter 9, title 5, United States Code, to the extent incorporated by this subsection, the following provisions apply:

(A) The term "resolution" means a joint resolution the matter after the resolving clause of which is: "That the Congress of the United States disapproves the Community Services Administration Reorganization Plan transmitted to the Congress by the President on ————————, 19—." The blank spaces therein are to be appropriately filled.

(B) If, prior to the passage by one House of the joint resolution of that House with respect to the reorganization plan, such House receives from the other House a joint resolution with respect to the same plan, then the following procedure applies:

(i) If no resolution of the first House with respect to such plan has been referred to committee, no other resolution with respect to the same plan may be reported or (despite the provisions of section 912(a) of title 5, United States Code) be made the subject of a motion to discharge.

(ii) If a resolution of the first House with respect to such plan has been referred to committee—

(I) the procedure with respect to that or other resolutions of such House with respect to such plan which have been referred to committee shall be the same as if no resolution from the other House with respect to such plan had been received; but

(II) on any vote on final passage of a resolution of the first House with respect to such plan the resolution from the other House with respect to such plan shall be automatically substituted for the resolution of the first House.

(4) The transfers authorized under subparagraphs (A) and (B) of paragraph (3) of this subsection shall be effective 30 days after the last date on which such reorganization plan could be disapproved under this subsection.

(f) In the event that the reorganization plan pursuant to subsection (e) takes effect, the Director of the Community Services Administration and the Director of the Community Economic Development Administration shall each be appointed by the President, by and with the advice and consent of the Senate, except that the person serving as Director of the independent Community Services Administration pursuant to the advice and consent of the Senate may, if the President notifies the Congress accordingly, continue to serve as Director of the

Community Services Administration within the Department of Health, Education, and Welfare; but the President may in such event submit to the Senate a nomination for such position.

(g) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof the property, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with the functions of the Director of the independent Community Services Administration, established by subsection (a) of this section, shall be transferred to the Director of the Community Services Administration, within the Department of Health, Education, and Welfare, and to the Director of the Community Economic Development Administration within the Department of Commerce, as appropriate. All grants, applications for grants, contracts, and other agreements awarded or entered into by the Director or the independent Community Services Administration shall continue to be recognized so that there is no disruption of ongoing activities for which there is continuing authority.

(h)(1) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof all Federal personnel employed by the independent Community Services Administration under the authorization and appropriations for the Economic Opportunity Act of 1964, transferred to the Community Services Administration within the Department of Health, Education, and Welfare or to the Community Economic Development Administration within the Department of Commerce shall, to the extent feasible, be assigned to related functions and organizational units in the appropriate Administration, without loss of salary, rank, or other benefits, including the right to representation and to the existing basic collective-bargaining agreement.

(2) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof all official actions taken by the Director of the independent Community Services Administration, his designee, or any other person under the authority of the Economic Opportunity Act of 1964 which are in force on such date, and for which there is continuing authority under the provisions of this Act, shall continue in full force and effect until modified, superseded, or revoked by the Director of the Community Services Administration, within the Department of Health, Education, and Welfare, or the Director of the Community Economic Development Administration, within the Department of Commerce, as appropriate.

(3) In the event that the reorganization plan submitted pursuant to subsection (e) of this section takes effect, on the effective date thereof all references to the independent Community Services Administration, or to the Director of that Administration in any statute, reorganization plan, executive order, regulation, or other official document or proceeding shall, on and after such date, be deemed to refer to the Community Services Administration within the Department of Health, Education, and Welfare, or the Director of the Community Economic Development Administration, within the Department of Commerce as appropriate, or to the Director of either such Administration, as the case may be.

(4) In the event that the reorganization plan submitted pursuant to subsection (e) of this section takes effect, on the effective date thereof no suit, action, or other proceeding, and no cause of action, by or against the independent Community Services Administration, or any action by any officer thereof acting in his official capacity, shall abate by reason of the taking effect of such plan.

AUTHORITY OF DIRECTOR

SEC. 602. In addition to the authority conferred upon him by other sections of this Act, the Director is authorized, in carrying out his functions under this Act, to—

(a) appoint in accordance with the civil service laws such personnel as may be necessary to enable the Community Services Administration to carry out its functions, and, except as otherwise provided herein, fix their compensation in accordance with the Classification Act of 1949 (5 U.S.C. 1071 et seq.);

(b) (1) employ experts and consultants or organizations thereof as authorized by section 15 of the Administrative Expenses Act of 1946 (5 U.S.C. 55a), except that no individual may be employed under the authority of this subsection for more than 100 days in any fiscal year; (2) compensate individuals so employed at rates not in excess of $100 per diem, including travel time; and (3) allow them, while away from their homes or regular places of business, travel expenses (including per diem in lieu of subsistence) as authorized by section 5 of such Act (5 U.S.C. 73b—2) for persons in the Government service employed intermittently, while so employed: *Provided, however*, That contracts for such employment may be renewed annually;

(c) appoint, without regard to the civil service laws, one or more advisory committees composed of such private citizens and officials of the Federal, State, and local governments as he deems desirable to advise him with respect to his functions under this Act; and members of such committees (including the National Advisory Council established in section 605), other than those regularly employed by the Federal Government, while attending meetings of such committees or otherwise serving at the request of the Director, shall be entitled to receive compensation and travel expenses as provided in subsection (b) with respect to experts and consultants;

(d) with the approval of the President, arrange with and reimburse the heads of other Federal agencies for the performance of any of his functions under this Act and, as necessary or appropriate, delegate any of his powers under this Act and authorize the redelegation thereof subject to provisions to assure the maximum possible liaison between the Community Services Administration and such other agencies at all operating levels, which shall include the furnishing of complete operational information by such other agencies to the Community Services Administration and the furnishing of such information by such Community Services Administration to such other agencies;

(e) utilize, with their consent, the services and facilities of Federal agencies without reimbursement, and, with the consent of any State or a political subdivision of a State, accept and utilize

the services and facilities of the agencies of such State or subdivision without reimbursement;

(f) accept in the name of the Community Services Administration, and employ or dispose of in furtherance of the purposes of this Act, or of any title thereof, any money, or property, real, personal, or mixed, tangible or intangible, received by gift, devise, bequest, or otherwise;

(g) accept voluntary and uncompensated services, notwithstanding the provisions of section 3679(b) of the Revised Statutes (31 U.S.C. 665(b));

(h) allocate and expend, or transfer to other Federal agencies for expenditure, funds made available under this Act as he deems necessary to carry out the provisions hereof, including (without regard to the provisions of section 4774(d) of title 10, United States Code) expenditure for construction, repairs, and capital improvements;

(i) disseminate, without regard to the provisions of section 4154 of title 39, United States Code, data and information, in such forms as he shall deem appropriate, to public agencies, private organizations, and the general public;

(j) adopt an official seal, which shall be judicially noticed;

(k) notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real or personal property by the United States, deal with, complete, rent, renovate, modernize, or sell for cash or credit at his discretion any properties acquired by him in connection with loans, participations, and guaranties made by him pursuant to this Act;

(l) collect or compromise all obligations to or held by him and all legal or equitable rights accruing to him in connection with the payment of obligations until such time as such obligations may be referred to the Attorney General for suit or collection;

(m) expend funds made available for purposes of this Act—

(1) for printing and binding, in accordance with applicable law and regulation; and

(2) without regard to any other law or regulation, for rent of buildings and space in buildings and for repair, alteration, and improvement of buildings and space in buildings rented by him; but the Director shall not utilize the authority contained in this subparagraph (2)—

(A) except when necessary to obtain an item, service, or facility, which is required in the proper administration of this Act, and which otherwise could not be obtained, or could not be obtained in the quantity or quality needed, or at the time, in the form, or under the conditions in which, it is needed, and

(B) prior to having given written notification to the Administrator of General Services (if the exercise of such authority would affect an activity which otherwise would be under the jurisdiction of the General Services Administration) of his intention to exercise such authority, the item, service, or facility with respect to which such authority is proposed to be exercised, and the reasons and justifications for the exercise of such authority; and

(n) establish such policies, standards, criteria, and procedures, prescribe such rules and regulations, enter into such contracts and agreements with public agencies and private organizations and persons, make such payments (in lump sum or installments, and in advance or

by way of reimbursement, and in the case of grants, with necessary adjustments on account of overpayments or underpayments), and generally perform such functions and take such steps as he may deem to be necessary or appropriate to carry out the provisions of this Act.

POLITICAL ACTIVITIES

SEC. 603. (a) For purposes of chapter 15 of title 5 of the United States Code any overall community action agency which assumes responsibility for planning, developing, and coordinating community-wide antipoverty programs and receives assistance under this Act shall be deemed to be a State or local agency; and for purposes of clauses (1) and (2) of section 1502(a) of such title any agency receiving assistance under this Act shall be deemed to be a State or local agency.

(b) Programs assisted under this Act 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 (1) any partisan or nonpartisan political activity or any other political activity associated with a candidate, or contending faction or group, in an election for public or party office, (2) any activity to provide voters or prospective voters with transportation to the polls or similar assistance in connection with any such election, or (3) any voter registration activity. The Director, after consultation with the Civil Service Commission, shall issue rules and regulations to provide for the enforcement of this section, which shall include provisions for summary suspension of assistance or other action necessary to permit enforcement on an emergency basis.

(c) No part of any funds appropriated to carry out this Act, subpart (1) of part B of this title V of the Higher Education Act of 1965, or any program administered by ACTION shall be used to finance, directly or indirectly, any activity designed to influence the outcome of any election to Federal office, or any voter registration activity, or to pay the salary of any officer or employee of the Community Services Administration, the Teacher Corps, or ACTION, who, in his official capacity as such an officer or employee, engages in any such activity. As used in this section, the term "election" has the same meaning given such term by section 301(a) of the Federal Election Campaign Act of 1971, and the term "Federal office" has the same meaning given such term by section 301(c) of such Act.

APPEALS, NOTICE AND HEARING

SEC. 604. The Director shall prescribe procedures to assure that—

(1) special notice of and an opportunity for a timely and expeditious appeal to the Director is provided for an agency or organization which would like to serve as a delegate agency under title II and whose application to the community action agency has been wholly or substantially rejected or has not been acted upon within a period of time deemed reasonable by the Director;

(2) financial assistance under title II and part B of title III shall not be suspended for failure to comply with applicable terms

and conditions, except in emergency situations, nor shall an application for refunding under section 221, 222, or 312 be denied, unless the recipient agency has been given reasonable notice and opportunity to show cause why such action should not be taken; and

(3) financial assistance under title II and part B of title III shall not be terminated for failure to comply with applicable terms and conditions unless the recipient agency has been afforded reasonable notice and opportunity for a full and fair hearing.

NATIONAL ADVISORY COUNCIL ON ECONOMIC OPPORTUNITY

SEC. 605. (a) There is hereby established in the Community Services Administration a National Advisory Council on Economic Opportunity (hereinafter referred to as the Advisory Council), to be composed of twenty-one members appointed, for staggered terms and without regard to the civil service laws, by the President. Such members shall be representative of the public in general and appropriate fields of endeavor related to the purposes of this Act. The President shall designate the chairman from among such members. The Advisory Council shall meet at the call of the chairman but not less often then four times a year. The Director shall be an ex officio member of the Advisory Council.

(b) The Advisory Council shall—

(1) advise the Director with respect to policy matters arising in the administration of this Act; and

(2) review the effectiveness and the operation of programs under this Act and make recommendations concerning (A) the improvement of such programs, (B) the elimination of duplication of effort and (C) the coordination of such programs with other Federal programs designed to assist low income individuals and families.

Such recommendations shall include such proposals for changes in this Act as the Advisory Council deems appropriate.

(c) The Advisory Council shall make an annual report of its findings and recommendations to the President not later than March 31 of each calendar year beginning with the calendar year 1967. The President shall transmit each such report to the Congress together with his comments and recommendations.

ANNOUNCEMENT OF RESEARCH OR DEMONSTRATION CONTRACTS

SEC. 606. (a) The Director or the head of any Federal agency administering a program under this Act shall make a public announcement concerning:

(1) The title, purpose, intended completion date, identity of the contractor, and proposed cost of any contract with a private or non-Federal public agency or organization for any demonstration or research project; and

(2) Thc results, findings, data, or recommendations made or reported as a result of such activities.

(b) The public announcements required by subsection (a) shall be made with thirty days of entering into such contracts and thereafter within thirty days of the receipt of such results.

(c) It shall be the duty of the Comptroller General to assure that the requirements of this section are met, and he shall at once report to the Congress concerning any failure to comply with these requirements.

LABOR STANDARDS

SEC. 607. All laborers and mechanics employed by contractors or subcontractors in the construction, alteration or repair, including painting and decorating of projects, buildings and works which are federally assisted under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a–5). The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133—133z–15), and section 2 of the Act of June 1, 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276(C)).

REPORTS

SEC. 608. Not later than one hundred and twenty days after the close of each fiscal year, the Director shall prepare and submit to the President for transmittal to the Congress a full and complete report on the activities of the Community Services Administration during such year.

[SEC. 609 repealed.]

PROGRAMS FOR THE ELDERLY POOR

SEC. 610. It is the intention of Congress that whenever feasible the special problems of the elderly poor shall be considered in the development, conduct, and administration of programs under this Act. The Director shall (1) carry out such investigations and studies, including consultations with appropriate agencies and organizations, as may be necessary to develop and carry out a plan for the participation of the elderly poor in programs under this Act, including programs providing employment opportunities, public service opportunities, education and other services and activities which assist the elderly poor to achieve self-sufficiency; (2) maintain a constant review of all programs under this Act to assure that the needs of the elderly poor are given adequate consideration; (3) initiate and maintain interagency liaison with all other appropriate Federal agencies to achieve a coordinated national approach to the needs of the elderly poor; and (4) determine and recommend to the President and the Congress such programs requiring additional authority and the necessary legislation to provide such authority. In exercising his responsibilities under this section, the Director shall cooperate with the Commissioner on Aging. The Director shall describe the ways in which this section has been implemented in the annual report required by section 608.

COMPARABILITY OF WAGES

SEC. 610–1. (a) The Director shall take such action as may be necessary to assure that persons employed in carrying out programs financed under title II (except a person compensated as provided in section 602) shall not receive compensation at a rate which is (1) in excess of the average rate of compensation paid in the area where the program is carried out to a substantial number of the persons providing substantially comparable services, or in excess of the average rate of compensation paid to a substantial number of the persons providing substantially comparable services in the area of the person's immediately preceding employment, whichever is higher or (2) less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938.

(b) No person whose compensation exceeds $6,000 per annum and is paid pursuant to any grant contract, or agreement authorized under part A of title II (except a person compensated as provided in section 602) shall be employed at a rate of compensation which exceeds by more than 20 percent the salary which he was receiving in his immediately preceding employment, but the Director may grant exceptions for specific cases. In determining salary in preceding employment for one regularly employed for a period of less than 12 months per year, the salary shall be adjusted to an annual basis.

LIMITATION ON BENEFITS FOR THOSE VOLUNTARILY POOR

SEC. 611. The Director shall take such action as may be necessary to assure that, in determining a person's eligibility for benefits under this Act on account of his poverty, such person will not be deemed to meet the poverty criteria if his lack of income results from his refusal, without good cause, to seek or accept employment commensurate with his health, age, education, and ability.

JOINT FUNDING

SEC. 612. Pursuant to regulations prescribed by the President, where funds are advanced for a single project by more than one Federal Agency to a community action agency or other agency assisted under this Act, any one Federal agency may be designated to act for all in administering the funds advanced. In such cases, a single local share requirement may be established according to the proportion of funds advanced by each agency, and any such agency may waive any technical grant or contract requirement (as defined by such regulations) which is inconsistent with the similar requirements of the administering agency or which the administering agency does not impose.

LIMITATION WITH RESPECT TO CERTAIN UNLAWFUL ACTIVITIES

SEC. 613. No individual employed or assigned by any community action agency or other agency assisted under this Act shall, pursuant to or during the performance of services rendered in connection with any program or activity conducted or assisted under this Act by such community action agency or such other agency, plan, initiate, par-

ticipate in, or otherwise aid or assist in the conduct of any unlawful demonstration rioting, or civil disturbance.

PROHIBITION OF FEDERAL CONTROL

SEC. 614. Nothing contained in this Act shall be construed to authorize any department, agency, office, or employee of the United States to exercise any direction, supervision, or control over the curriculum, program of instruction, administration, or personnel of any educational institution or school system.

DURATION OF PROGRAM

SEC. 615. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the eleven succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law.

TRANSFER OF FUNDS

SEC. 616. Notwithstanding any limitation on appropriations for any program or activity under this Act or any Act authorizing appropriations for such program or activity, not to exceed 10 per centum for fiscal years ending prior to July 1, 1970, and not to exceed 15 per centum for fiscal years ending prior to July 1, 1972, and not to exceed 20 per centum for fiscal years ending thereafter of the amount appropriated or allocated from any appropriation for the purpose of enabling the Director to carry out any such program or activity under the Act may be transferred and used by the Director for the purpose of carrying out any other such program or activity under the Act.

DISTRIBUTION OF BENEFITS BETWEEN RURAL AND URBAN AREAS

SEC. 617. The Director shall adopt appropriate administrative measures to assure that benefits of this Act will be distributed equitably between residents of rural and urban areas.

SEC. 618. [Expired.]

LIMITATIONS ON FEDERAL ADMINISTRATIVE EXPENSES

SEC. 619. The total administrative expenses, including the compensation of Federal employees, incurred by Federal agencies under the authority of this Act for any fiscal year shall not exceed ten percent of the amount authorized to be appropriated by this Act for that year: *Provided, however*, that grants, subsidies, and contributions, and payments to individuals, other than Federal employees shall not be counted as an administrative expense.

PRIVATE ENTERPRISE PARTICIPATION

SEC. 620. The Director and the heads of any Federal departments or agencies to which the conduct of programs described in this Act have been delegated shall take such steps as may be desirable and appropriate to insure that the resources of private enterprise are em-

ployed to the maximum feasible extent in the programs described in this Act. The Director and such other agency heads shall submit at least annually to the Congress a joint or combined report describing the actions taken and the progress made under this section.

RESPONSIBILITY FOR FOLLOW THROUGH PROGRAMS

SEC. 621. Pursuant to section 602(d), the Director shall delegate his functions under section 222(a)(2) to the Secretary of Health, Education, and Welfare, and such functions shall be carried out through the Office of Education of the Department of Health, Education, and Welfare.

ADVANCE FUNDING

SEC. 622. For the purpose of affording adequate notice of funding available under this Act, appropriations for grants, contracts, or other payments under this Act are authorized to be included in the appropriation Act for the fiscal year preceding the fiscal year for which they are available for obligation.

GUIDELINES

SEC. 623. All rules, regulations, guidelines, instructions, and application forms published or promulgated pursuant to this Act shall be published in the Federal Register at least thirty days prior to their effective date.

NONDISCRIMINATION PROVISIONS

SEC. 624. (a) The Director shall not provide financial assistance for any program under this Act unless the grant, contract, or agreement with respect to such program specifically provides that no person with responsibilities in the operation of such program will discriminate with respect to any such program because of race, creed, color, national origin, sex, political affiliation, or beliefs.

(b) No person in the United States shall on the ground of sex be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program, or activity receiving assistance under this Act. The Director shall enforce the provisions of the preceding sentence in accordance with section 602 of the Civil Rights Act of 1964. Section 603 of such Act shall apply with respect to any action taken by the Director to enforce such sentence. This section shall not be construed as affecting any other legal remedy that a person may have if that person is excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in connection with any program or activity receiving assistance under this Act.

CRITERIA FOR DETERMINING ELIGIBILITY

SEC. 625. (a) Every agency administering programs authorized by this Act in which the poverty line is a criterion of eligibility shall revise the poverty line at annual intervals, or at any shorter interval it deems feasible and desirable.

(b) The revision required by subsection (a) of this section shall be accomplished by multiplying the official poverty line (as defined by the Office of Management and Budget) by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made.

(c) Revisions required by subsection (a) of this section shall be made and issued not more than thirty days after the date on which the necessary consumer price index data becomes available.

INDEPENDENCE OF LEGAL SERVICES CORPORATION

SEC. 626. Nothing in this Act, except title X, and no reference to this Act unless such reference refers to title X, shall be construed to affect the powers and activities of the Legal Services Corporation.

CRIMINAL PROVISIONS

SEC. 627. (a) Whoever, being an officer, director, agent, or employee of, or connected in any capacity with, any agency receiving financial assistance under this Act embezzles, willfully misapplies, steals, or obtains by fraud any of the moneys, funds, assets, or property which are the subject of a grant or contract of assistance pursuant to this Act, shall be fined not more than $10,000 or imprisoned for not more than two years, or both; but if the amount so embezzled, misapplied, stolen, or obtained by fraud does not exceed $100, he shall be fined not more than $1,000 or imprisoned not more than one year, or both.

(b) Whoever, by threat of procuring dismissal of any person from employment or of refusal to employ or refusal to renew a contract of employment in connection with a grant or contract of assistance under this Act induces any person to give up any money or thing of any value to any person (including such grantee agency), shall be fined not more than $1,000 or imprisoned not more than one year, or both.

WITHHOLDING CERTAIN FEDERAL TAXES BY ANTIPOVERTY AGENCIES

SEC. 628. Upon notice from the Secretary of the Treasury or his delegate that any person otherwise entitled to receive a payment made pursuant to a grant, contract, agreement, loan or other assistance made or entered into under this Act is delinquent in paying or depositing (1) the taxes imposed on such person under chapters 21 and 23 of the Internal Revenue Code of 1954, or (2) the taxes deducted and withheld by such person under chapters 21 and 24 of such Code, the Director shall suspend such portion of such payment due to such person, which, if possible, is sufficient to satisfy such delinquency, and shall not make or enter into any new grant, contract, agreement, loan or other assistance under this Act with such person until the Secretary of the Treasury or his delegate has notified him that such person is no longer delinquent in paying or depositing such tax or the Director determines that adequate provision has been made for such payment. In order to effectuate the purpose of this section on a reasonable basis the Secretary of the Treasury and the Director shall consult on a quarterly basis.

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Part B—Coordination

STATEMENT OF PURPOSE

SEC. 630. This part establishes an Economic Opportunity Council, provides for an information center, and prescribes certain duties and responsibilities. It purpose is to promote better coordination among all programs related to this Act, with a view to making those programs more effective in reaching and serving the poor, assisting State and local agencies to adapt diverse Federal programs to varying local problems and conditions, stimulating new and more imaginative ways of combining complementary Federal resources in the solution of specific problems, and generally improving cooperation and communication among all levels of government, agencies, and institutions in matters related to the purposes of this Act.

ECONOMIC OPPORTUNITY COUNCIL

SEC. 631. (a) There is established, in the Executive Office of the President, the Economic Opportunity Council (hereinafter referred to as the "Council"), which shall be composed of the Direct and the heads of such Federal departments and agencies, such Presidential assistants and such other officials of the Federal Government as the President may from time to time designate. The President shall designate one of the members of the Council to serve as chairman. Each member shall designate an alternate to sit in his stead in the event of his unavoidable absence.

(b) It shall be the responsibility of the Council to assist the President in—

(1) providing for the coordination of Federal programs and activities related to this Act;

(2) developing basic policies and setting priorities with respect to such programs and activities;

(3) resolving differences arising among Federal departments and agencies with respect to such programs and activities; and

(4) initiating and arranging for the carrying out of specific actions or projects designed to achieve the objectives of this Act.

(c) The President shall appoint an Executive Secretary of the Council. The Executive Secretary is authorized to appoint and fix the compensation of such personnel as may be necessary to assist him in the performance of his duties. Employees of other Federal departments and agencies may be detailed to the Council from time to time to provide temporary assistance.

(d) To the extent appropriate, a report of the activities of the Council shall be included in the annual report of the Director to the President and to the Congress, or in a separate report to the Congress.

(e) From the sums authorized and appropriated to carry out the provisions of this title, the President shall reserve such amounts as may be necessary to carry out the purposes of this section.

RESPONSIBILITIES OF THE DIRECTOR

SEC. 632. In addition to his other powers under this Act, and to assist the President in coordinating the antipoverty efforts of all Federal agencies, the Director shall—

(1) undertake special studies of specific coordination problems at the request of the President or the Council, or on his own initiative;

(2) consult with interested agencies and groups, including State agencies described in section 231 of this Act and the National Advisory Council, with a view to identifying coordination problems that may warrant consideration by the Council or the President and, to the extent feasible or appropriate, initiate action for overcoming those problems, either through the Community Services Administration or in conjunction with other Federal, State, or local agencies; and

(3) prepare a five-year national poverty action plan showing estimates of Federal and other governmental expenditures, and, where feasible, the contributions of the private sector, needed to eliminate poverty in this country within alternative periods of time. Such plan shall include estimates of the funds necessary to finance all relevant programs authorized by this and other Acts, and any new programs which may be necessary to eliminate poverty in this country, and it shall include recommendations for such new programs. The plan shall be presented to the Congress and updated on an annual basis.

COOPERATION OF FEDERAL AGENCIES

SEC. 633. (a) Federal agencies administering programs related to this Act shall—

(1) cooperate with the Director and with the Council in carrying out their duties and responsibilities; and

(2) carry out their programs and exercise their functions so as to assist in carrying out the provisions and purposes of this Act, to the fullest extent permitted by other applicable law.

(b) The Council and the Director may call upon Federal agencies to supply statistical data, program reports, and other materials as they deem necessary to discharge their responsibilities under this Act.

(c) The President may direct that particular programs and functions, including the expenditures of funds, of Federal agencies shall be carried out, to the extent not inconsistent with other applicable law, in conjunction with or in support of programs authorized under this Act.

COMBINATIONS AMONG PROJECTS AND PROGRAMS

SEC. 634. In order to encourage efficiencies, close unnecessary service gaps, and generally promote more effective administration, the Director shall require, to the fullest extent feasible, that projects or programs assisted under this Act be carried on so as to supplement one another, or where appropriate other related programs or projects, and be included within or otherwise carried on in combination with community action programs. In the case of other programs related to this Act, the heads of the Federal agencies responsible for those programs shall, to the extent permitted by law, similarly provide assistance for projects and activities in a manner which encourages combinations with other related projects and activities where appropriate, and with community action programs. The Economic Opportunity Council shall, in carrying out its responsibilities under this part, make a continuing review of the operation of this section

with a view to (1) determining particular groups of programs which, because of their objectives, or similarities in target groups or areas, are especially appropriate for combined or closely coordinated operation at the State or local level, and making recommendations accordingly to the President or appropriate Federal officials; (2) evaluating Federal agency procedures for carrying out this section, and developing or recommending additional or common procedures, as appropriate; and (3) determining whether, and to what extent, consolidations of Federal programs may be justified and making recommendations respecting such consolidations to the Director and the President.

INFORMATION CENTER

SEC. 635. (a) The Director shall establish and operate an information center for the purpose of insuring that maximum use is made of Federal programs related to this Act and that information concerning those programs and other relevant information is readily available to public officials and other interested persons. The Director shall collect, prepare, analyze, correlate, and distribute information as described above, either free of charge or by sale at cost (any funds so received to be deposited to the Director's account as an offset of that cost), and may make arrangements and pay for any printing and binding without regard to the provisions of any other law or regulations. In connection with operation of the center, the Director may carry on research or studies concerning the improvement of information systems in support of the purposes of this Act, the adequacy of existing data, ways in which data generated on the State and local level may be incorporated into Federal information systems, and methods by which data may be made more readily available to State and local officials or used to further coordination objectives.

(b) The Director shall publish and maintain on a current basis, a catalog of Federal programs relating to individual and community improvement. He may also make grants, from funds appropriated to carry out title II of this Act, to States and communities to establish information service centers on the collection, correlation, and distribution of information required to further the purposes of this Act.

(c) In order to assure that all appropriate officials are kept fully informed of programs related to this Act, and that maximum use is made of those programs, the Director shall establish procedures to assure prompt distribution to State and local agencies of all current information, including administrative rules, regulations, and guidelines, required by those agencies for the effective performance of their responsibilities.

PROHIBITION

SEC. 636. In order to assure that existing Federal agencies are used to the fullest extent possible in carrying out the purposes of this Act, no funds appropriated to carry out this Act shall be used to establish any new department or office when the intended function is being performed by an existing department or office.

SPECIAL RESPONSIBILITIES: TRAINING PROGRAMS

SEC. 637. (a) It shall be the responsibility of the Director, the Secretary of Labor, the Secretary of Health, Education, and Welfare,

and the heads of all other departments and agencies concerned, acting through such procedures or mechanisms as the President may prescribe, to provide for, and take such steps as may be necessary and appropriate to implement, the effective coordination of all programs and activities within the executive branch of the Government relating to the training of individuals for the purpose of improving or restoring employability.

(b) The Secretary of Labor, pursuant to such agreements as may be necessary or appropriate (which may include arrangements for reimbursement) shall—

(1) be responsible for assuring that the Federal-State employment service provides and develops its capacity for providing maximum support for the programs described in subsection (a); and

(2) obtain from the Secretary of Commerce, the Secretary of Health, Education, and Welfare, the Director of the Community Services Administration, and the head of any other Federal agency administering a training program, such employment information as will facilitate the placement of individuals being trained.

DEFINITIONS

SEC. 638. As used in this part, "programs related to this Act" and "coordination" shall include the programs and action described in this section:

(1) "Programs related to this Act" include programs under this Act and all Federal or federally assisted programs which have objectives which are, in whole or substantial part, complementary to the purposes of this Act, or which provide resources which may be used in combination with resources under this Act to assist in achieving any of the purposes of this Act.

(2) "Coordination" includes, but is not limited to—

(A) actions to improve the common effectiveness of programs in reaching and serving the poor, such as actions: to extend services to new areas, provide them in a common place, or structure them so that they are more readily accepted or widely utilized; to eliminate procedures or requirements that may be inappropriate for or result in unnecessary hardship to disadvantaged persons with limited education or other special handicaps; to establish common eligibility standards among programs serving substantially similar groups or operating in the same areas; or to develop methods of operation or administration that will provide new employment incentives or opportunities for the poor;

(B) actions to promote better use at the State or local level of Federal assistance available under diverse programs, such as actions to establish procedures for cooperation among State or local agencies seeking assistance from different Federal sources with a view to eliminating unnecessary duplication and service gaps and promoting common or complementary priorities; or to modify or improve technical or administrative requirements imposed by different Federal agencies that may operate to increase unnecessarily the burdens of State or local agencies, minimize their opportunities for the imagina-

tive use of Federal assistance, or discourage their cooperation with one another;

(C) actions to promote simplification and efficiencies through the joint or combined use of Federal resources, such as actions to develop new methods of processing requests for assistance or granting assistance that will enable Federal agencies more generally to use resources jointly in support of common objectives; to establish common priorities for purposes of program planning, research and demonstration activities; and to effect combinations among or redirect Federal programs or activities for the purpose of eliminating unnecessary duplication;

(D) actions to improve communication and general cooperation, such as actions to strengthen ties among regional offices of different Federal agencies and among such offices and other regional agencies or organizations; to develop and improve procedures by which Federal agencies may act together in promulgating or making available items of information, including information as to the availability and allocation of funds, which are closely related to one another for purposes of State or local planning and budgeting; or to develop procedures by which State and local agencies may be afforded new opportunities to participate in Federal policy decisions, including decisions on recommended legislation, affecting their capacity to operate efficiently and effectively.

TITLE VII—COMMUNITY ECONOMIC DEVELOPMENT

STATEMENT OF PURPOSE

SEC. 701. The purpose of this title is to encourage the development of special programs by which the residents of urban and rural low-income areas may, through self-help and mobilization of the community at large, with appropriate, Federal assistance, improve the quality of their economic and social participation in community life in such a way as to contribute to the elimination of poverty and the establishment of permanent economic and social benefits.

DEFINITION

SEC. 702. As used in this title the term "community development corporation" means a nonprofit organization responsible to residents of the area it serves which is receiving financial assistance under part A of this title and any organization more than 50 per centum of which is owned by such an organization, or otherwise controlled by such an organization, or designated by such an organization for the purpose of this title.

AUTHORIZATION OF APPROPRIATIONS

SEC. 703. For the purpose of carrying out this title, there are authorized to be appropriated $39,000,000 and such additional sums as may be necessary for fiscal year 1975 and such sums as may be necessary for each of the two succeeding fiscal years.

PART A—URBAN AND RURAL SPECIAL IMPACT PROGRAMS

STATEMENT OF PURPOSE

SEC. 711. The purpose of this part is to establish special programs of assistance to nonprofit private locally initiated community development corporations which (1) are directed to the solution of the critical problems existing in particular communities or neighborhoods (defined without regard to political or other subdivisions or boundaries) within those urban and rural areas having concentrations or substantial numbers of low-income persons; (2) are of sufficient size, scope, and duration to have an appreciable impact in such communities, neighborhoods, and rural areas in arresting tendencies toward dependency, chronic unemployment, and community deterioration; (3) hold forth the prospect of continuing to have such impact after the termination of financial assistance under this part, and (4) provide financial and other assistance to start, expand, or locate enterprises in or near the area to be served so as to provide employment and ownership opportunities for residents of such areas, including those who are disadvantaged in the labor market because of their limited speaking, reading, and writing abilities in the English language.

ESTABLISHMENT AND SCOPE OF PROGRAMS

SEC. 712. (a) The Director is authorized to provide financial assistance in the form of grants to nonprofit and for profit community development corporations and other affiliated and supportive agencies and organizations associated with qualifying community development corporations for the payment of all or part of the cost of programs which are designed to carry out the purposes of this part. Financial assistance shall be provided so that each community economic development program is of sufficient size, scope, and duration to have an appreciable impact on the area served. Such programs may include—

(1) community economic and business development programs, including but not limited to: (A) programs which provide financial and other assistance (including equity capital) to start, expand, or locate businesses in or near the area served so as to provide employment and ownership opportunities for residents of such areas, and (B) programs for small businesses located in or owned by residents of such areas;

(2) community development programs, including industrial parks and housing activities, which contribute to an improved environment and which create new training, employment, and ownership opportunities for residents of such area;

(3) training and public service employment programs and related services for unemployed or low-income persons which support and complement community development programs financed under this part, including, without limitation, activities such as those described in the Comprehensive Employment and Training Act of 1973; and

(4) social service programs which support and complement community economic development programs financed under this part, including but not limited to child care, educational services, health services, credit counseling, energy conservation, and programs for the maintenance of housing facilities.

(b) The Director shall conduct programs assisted under this part so as to contribute, on an equitable basis between urban and rural areas, to the elimination of poverty and the establishment of permanent economic and social benefits in such areas.

FINANCIAL ASSISTANCE REQUIREMENTS

SEC. 713. (a) The Director, under such regulations as he may establish, shall not provide financial assistance for any community economic development program under this part unless he determines that—

(1) such community development corporation is responsible to residents of the area served (i) through a governing body not less than 50 per centum of the members of which are area residents and (ii) in accordance with such other guidelines as may be established by the Director, except that the composition of the governing bodies of organizations owned or controlled by the community development corporation need not be subject to such residency requirement;

(2) the program will be appropriately coordinated with local planning under this title, with housing and community development programs, with employment and training programs, and with other relevant planning for physical and human resources in the areas served;

(3) adequate technical assistance is made available and committed to the programs being supported;

(4) such financial assistance will materially further the purposes of this part;

(5) the applicant is fulfilling or will fulfill a need for services, supplies, or facilities which is otherwise not being met;

(6) all projects and related facilities will, to the maximum feasible extent, be located in the areas served;

(7) projects will, where feasible, promote the development of entrepreneurial and management skills and the ownership or participation in ownership of assisted businesses and housing, cooperatively or otherwise, by residents of the area served;

(8) projects will be planned and carried out with the fullest possible participation of resident or local businessmen and representatives of financial institutions, including participation through contract, joint venture, partnership, stock ownership or membership on the governing boards or advisory councils of such projects consistent with the self-help purposes of this title;

(9) no participant will be employed on projects involving political parties, or the construction, operation, or maintenance of so much of any facility as is used or to be used for sectarian instruction or as a place for religious worship;

(10) the program will not result in the displacement of employed workers or impair existing contracts for services, or result in the substitution of Federal or other funds in connection with work that would otherwise be performed;

(11) the rates of pay for time spent in work-training and education, and other conditions of employment, will be appropriate and reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant;

(12) the program will, to the maximum extent feasible, contribute to the occupational development or upward mobility of individual participants;

(13) preference will be given to low-income or economically disadvantaged residents of the areas served in filling jobs and training opportunities; and

(14) training programs carried out in connection with projects financed under this part shall be designed wherever feasible to provide those persons who successfully complete such training with skills which are also in demand in communities, neighborhoods, or rural areas other than those for which programs are established under this part.

(b) Financial assistance under this section shall not be extended to assist in the relocation of establishments from one location to another if such relocation would result in an increase in unemployment in the area of original location.

(c) The level of financial assistance for related purposes under this Act, or any other program for Federal financial assistance, to the area served by a special impact program shall not be diminished in order to substitute funds authorized by this part.

FEDERAL SHARE OF PROGRAM COSTS

SEC. 714. Federal assistance to any program carried out pursuant to this part, including grants used by community development corporations for capital improvements, shall (1) not exceed 90 per centum of the cost of such program including costs of administration unless the Director determines that the assistance in excess of such percentage is required in furtherance of the purposes of this part, and (2) be made available for deposit to the order of the grantee, under conditions which the Director deems appropriate, within thirty days following approval of the grant agreement by the Director and such grantee of the grant agreement. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant, equipment, and services. Capital investments made with funds granted as a result of the Federal share of the costs of programs carried out under this title, and the proceeds from such capital investments, shall not be considered Federal property. Upon investment, title vests in the community development corporation. The Federal Government retains the right to direct that on severance of the grant relationship the assets purchased with grant funds shall continue to be used for the original purpose for which they were granted.

PART B—SPECIAL RURAL PROGRAMS

STATEMENT OF PURPOSE

SEC. 721. It is the purpose of this part to meet the special economic needs of rural communities or areas with concentrations or substantial numbers of low-income persons by providing support to self-help programs which promote economic development and independence, as a supplement to existing similar programs conducted by other departments and agencies of the Federal Government. Such programs should

encourage low-income families to pool their talents and resources so as to create and expand rural economic enterprise.

FINANCIAL ASSISTANCE

SEC. 722. (a) The Director is authorized to provide financial assistance, including loans having a maximum maturity of 15 years and in amounts not resulting in an aggregate principal indebtedness of more that $3,500 at any one time, to any low-income rural family where, in the judgment of the Director, such financial assistance has a reasonable possibility of effecting a permanent increase in the income of such families, or will contribute to the improvement of their living or housing conditions, by assisting or permitting them to—

(1) acquire or improve real estate or reduce encumbrances or erect improvements thereon;

(2) operate or improve the operation of farms not larger than family sized, including but not limited to the purchase of feed, seed, fertilizer, livestock, poultry, and equipment; or

(3) participate in cooperative associations, or to finance nonagricultural enterprises which will enable such families to supplement their income.

(b) The Director is authorized to provide financial assistance to local cooperative associations in rural areas containing concentrations or substantial numbers of low-income persons for the purpose of defraying all or part of the costs of establishing and operating cooperative programs for farming, purchasing, marketing, processing, and to improve their income as producers and their purchasing power as consumers, and to provide such essentials as credit and health services. Costs which may be defrayed shall include but not be limited to—

(1) administrative costs of staff and overhead;

(2) costs of planning and developing new enterprises;

(3) costs of acquiring technical assistance; and

(4) initial capital where it is determined by the Director that the poverty of the families participating in the program and the social conditions of the rural area require such assistance.

LIMITATION ON ASSISTANCE

SEC. 723. (a) No financial assistance shall be provided under this part unless the Director determines that—

(1) any cooperative association receiving assistance has a minimum of fifteen active members, a majority of which are low-income rural persons;

(2) adequate technical assistance is made available and committed to the programs being supported;

(3) such financial assistance will materially further the purposes of this part; and

(4) the applicant is fulfilling or will fulfill a need for services, supplies, or facilities which is otherwise not being met.

(b) The level of financial assistance for related purposes under this Act to the area served by a program under this part shall not be diminished in order to substitute funds authorized by this part.

PART C—DEVELOPMENT LOANS TO COMMUNITY ECONOMIC DEVELOPMENT PROGRAMS

DEVELOPMENT LOAN FUND

SEC. 731. (a) The Director is authorized to make or guanantee loans (either directly or in cooperation with banks or other organizations through agreements to participate on an immediate or deferred basis) to community development corporations, and families and local cooperatives eligible for financial assistance under this title, for business housing, and community development projects which the Director determines will carry out the purposes of this part. No loans, guarantees, or other financial assistance shall be provided under this section unless the Director determines that—

(1) there is reasonable assurance of repayment of the loan;

(2) the loan is not otherwise available on reasonable terms from private sources or other Federal, State, or local programs; and

(3) the amount of the loan, together with other funds available, is adequate to assure completion of the project or achievement of the purposes for which the loan is made.

Loans made by the Director pursuant to this section shall bear interest at a rate not less than a rate determined by the Secretary of the Treasury taking into consideration the average market yield on outstanding Treasury obligations of comparable maturity, plus such additional charge if any, toward covering other costs of the program as the Director may determine to be consistent with its purposes, except that, for the five years following the date in which funds are initially available to the borrower, the rate of interest shall be set at a rate considered appropriate by the Director in light of the particular needs of the borrower which rate shall not be lower than 1 per centum. All such loans shall be repayable within a period of not more than thirty years.

(b) The Director is authorized to adjust interest rates, grant moratoriums or repayment of principal and interest, collect or compromise any obligations held by him, and to take such other actions in respect to such loans as he shall determine to be necessary or appropriate, consistent with the purposes of this section.

(c)(1) To carry out the lending and guaranty functions authorized under this part, there shall be established a Development Loan Fund consisting of two separate accounts, one of which shall be a revolving fund called the Rural Development Loan Fund and the other of which shall be a revolving fund called the Community Development Loan Fund. The capital of each such revolving fund shall remain available until expended.

(2) The Rural Development Loan Fund shall consist of the remaining funds provided for in part A of title III of this Act and such amounts as may be deposited in such Fund by the Director out of funds made available from appropriations for the purposes of carrying out this part. The Director shall utilize the services of the Farmers Home Administration in administering the Fund.

(3) The Community Development Loan Fund shall consist of such amounts as may be deposited in such funds by the Director out of funds made available from appropriations for the purpose of carrying out this title. The Director may make deposits in the Com-

munity Development Loan Fund in any fiscal year in which he has made available for grants to community development corporations under this title not less than $60,000,000 out of funds made available from appropriations for the purpose of carrying out this title.

ESTABLISHMENT OF MODEL COMMUNITY ECONOMIC DEVELOPMENT FINANCE CORPORATION

SEC. 732. (a) To the extent he deems appropriate, the Director shall utilize funds available under this part to prepare a plan of action for the establishment of a Model Community Economic Development Finance Corporation to provide a user-controlled independent and professionally operated long-term financing vehicle with the principal purpose of providing financial support for community economic development corporations, cooperatives, other affiliated and supportive agencies and organizations associated with community economic development corporations, and other entities eligible for assistance under this title.

(b) Not later than June 1, 1975, the Director shall submit to the appropriate committees of the Congress the plan required by this section.

PART D—SUPPORTIVE PROGRAMS AND ACTIVITIES

TRAINING AND TECHNICAL ASSISTANCE

SEC. 741. (a) The Director shall provide, directly or through grants, contracts or other arrangements, such technical assistance and training of personnel as may be required to effectively implement the purposes of this title. No financial assistance shall be provided to any public or private organization under this section unless the Director provides the beneficiaries of these services with opportunity to participate in the selection of and to review the quality and utility of the services furnished them by such organization.

(b) Technical assistance to community development corporations and both urban and rural cooperatives may include planning, management, legal assistance or support preparation of feasibility studies, product development, marketing, and the provisions of stipends to encourage skilled professionals to engage in full-time activities under the direction of a community organization financially assisted under this title.

(c) Training for employees of community development corporations and for employees and members of urban rural cooperatives shall include, but not be limited to, on-the-job training, classroom instruction, and scholarships to assist them in development, managerial, entrepreneurial, planning, and other technical and organizational skills which will contribute to the effectiveness of programs assisted under this title.

APPLICATIONS OF OTHER FEDERAL RESOURCES—SMALL BUSINESS ADMINISTRATION AND DEPARTMENT OF COMMERCE PROGRAMS

SEC. 742. (a)(1) Funds granted under this title which are invested directly or indirectly in a small business investment company, local development company, limited small business investment company, or small business investment company licensee under section 301(d)

of the Small Business Investment Act of 1958 shall be included as "private paid-in capital and paid-in surplus," "combined paid-in capital and paid- n surplus,' and 'paid-in capital" for purposes of sections 302, 303, and 502, respectively, of the Small Business Investment Act of 1958.

(2) Within ninety days of the enactment of this title, the Administrator of the Small Business Administration, after consultation with the Director, shall prescribe such regulations as may be necessary and appropriate to insure the availability to community development corporations of such programs as shall further the purposes of this title.

(b)(1) Areas selected for assistance under this title shall be deemed "redevelopment areas" within the meaning of section 401 of the Public Works and Economic Development Act of 1965, shall qualify for assistance under the provisions of title I and title II of that Act, and shall be deemed to have met the overall economic development program requirements of section 202(b)(10) of such Act.

(2) Within ninety days of the enactment of this title, the Secretary of Commerce shall prescribe regulations which will insure that community development corporations and cooperatives shall qualify for assistance and shall be eligible to receive such assistance under all such programs of the Economic Development Administration as shall further the purposes of this title.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS

SEC. 743. The Secretary of Housing and Urban Development, after consultation with the Director, shall take all necessary steps to assist community development corporations and local cooperative associations to qualify for and receive (1) such assistance in connection with technical assistance, counseling to tenants and homeowners, and loans to sponsors of low- and moderate-income housing under section 106 of the Housing and Urban Development Act of 1968 as amended by section 811 of the Housing and Community Development Act of 1974, (2) such land for housing and business location and expansion under title I of the Housing and Community Development Act of 1974, and (3) such funds for comprehensive planning under section 701 of the Housing Act of 1954 as amended by section 401 of the Housing and Community Development Act of 1974, as shall further the purposes of this title.

DEPARTMENT OF AGRICULTURE AND FARMERS HOME ADMINISTRATION PROGRAMS

SEC. 744. The Secretary of Agriculture or, where appropriate, the Administrator of the Farmers Home Administration, after consultation with the Director, shall take all necessary steps to insure that community development corporations and local cooperative associations shall qualify for and shall receive (1) such assistance in connection with housing development under the Housing Act of 1949, as amended, (2) such assistance in connection with housing, business, industrial, and community development under the Consolidated Farmers Home Administration Act of 1961 and the Rural Development Act of 1972, and (3) such further assistance under all such programs of the United States Department of Agriculture, as shall further the purposes of this title.

REPORT ON OTHER FEDERAL RESOURCES

SEC. 745. On or before six months after the enactment of this title, and annually thereafter, the Director shall submit to the Congress a detailed report setting forth a description of all Federal agency programs which he finds relevant to achieving the purposes of this title and the extent to which such programs have been made available to community development corporations receiving financial assistance under this title including specifically the availability and effectiveness of programs referred to in sections 742, 743, and 744 of this title. Where appropriate, the report required under this subsection also shall contain recommendations for the more effective utilization of Federal agency programs for carrying out the purposes of this title.

COORDINATION AND ELIGIBILITY

SEC. 746. (a) The Director shall take all necessary and appropriate steps to encourage Federal departments and agencies and State and local governments to make grants, provide technical assistance, enter into contracts, and generally support and cooperate with community development corporations and local cooperative associations.

(b) Eligibility for assistance under Federal programs shall not be denied to any applicant on the ground that it is a community development corporation or any other entity assisted under this title.

EVALUATION AND RESEARCH

SEC. 747. (a) Each program for which grants are made under this title shall provide for a thorough evaluation of the effectiveness of the program in achieving its purposes, which evaluation shall be conducted by such public or private organizations as the Director, in consultation with existing grantees familiar with programs carried out under this Act, may designate, and all or part of the costs of evaluation may be paid from funds appropriated to carry out this part. In evaluating the performance of any community development corporation funded under part A of this title, the criteria for evaluation shall be based upon such program objectives, goals, and priorities as are consistent with the purposes of this title and were set forth by such community development corporation in its proposal for funding as approved and agreed upon by the Director or as subsequently modified from time to time by mutual agreement between the Director and such community development corporation.

(b) The Director shall conduct, either directly or through grants or other arrangements, research designed to suggest new programs and policies to achieve the purposes of this title in such ways as to provide opportunities for employment, ownership, and a better quality of life for low-income residents.

PLANNING GRANTS

SEC. 748. In order to facilitate the purposes of this title, the Director is authorized to provide financial assistance to any public or private nonprofit agency or organization for planning of community economic development programs and cooperative programs under this title.

NONDISCRIMINATION PROVISIONS

SEC. 749. (a) The Director shall not provide financial assistance for any program, project, or activity under this title unless the grant or contract with respect thereto specifically provides that no person with responsibilities in the operation thereof will discriminate with respect to any such program, project, or activity because of race, creed, color, national origin, sex, political affiliation, or beliefs.

(b) No person in the United States shall on the ground of sex be excluded from participation in, be denied the benefits of, be subjected to discrimination under, or be denied employment in connection with any program or activity receiving assistance under this title. The Director shall enforce the provisions of the preceding sentence in accordance with section 602 of the Civil Rights Act of 1964. Section 603 of such Act shall apply with respect to any action taken by the Secretary to enforce such sentence. This section shall not be construed as affecting any other legal remedy that a person may have if that person is excluded from participation in, denied the benefits of, subjected to discrimination under, or denied employment in connection with, any program, project, or activity receiving assistance under this title.

TITLE VIII—NATIVE AMERICAN PROGRAMS

SHORT TITLE

SEC. 801. This title may be cited as the "Native American Programs Act of 1974".

STATEMENT OF PURPOSE

SEC. 802. The purpose of this title is to promote the goal of economic and social self-sufficiency for American Indians, Hawaiian Natives and Alaskan Natives.

FINANCIAL ASSISTANCE FOR NATIVE AMERICAN PROJECTS

SEC. 803. (a) The Secretary is authorized to provide financial assistance to public and nonprofit private agencies, including but not limited to, governing bodies of Indian tribes on Federal and State reservations, Alaskan Native villages and regional corporations established by the Alaska Native Claims Settlement Act, and such public and nonprofit private agencies serving Hawaiian Natives, and Indian organizations in urban or rural nonreservation areas, for projects pertaining to the purposes of this title. In determining the projects to be assisted under this title, the Secretary shall consult with other Federal agencies for the purpose of eliminating duplication or conflict among similar activities or projects and for the purpose of determining whether the findings resulting from those projects may be incorporated into one or more programs for which those agencies are responsible.

(b) Financial assistance extended to an agency under this title shall not exceed 80 per centum of the approved costs of the assisted project, except that the Secretary may approve assistance in excess of such percentage if he determines, in accordance with regulations establishing objective criteria, that such action is required in furtherance of the purposes of this title. Non-Federal contributions may be in cash or in kind, fairly evaluated, including but not limited to plant,

equipment, and services. The Secretary shall not require non-Federal contributions in excess of 20 per centum of the approved costs of programs or activities assisted under this title.

(c) No project shall be approved for assistance under this title unless the Secretary is satisfied that the activities to be carried out under such project will be in addition to, and not in substitution for, comparable activities previously carried out without Federal assistance, except that the Secretary may waive this requirement in any case in which he determines, in accordance with regulations establishing objective criteria, that application of the requirement would result in unnecessary hardship or otherwise be inconsistent with the purposes of this title.

TECHNICAL ASSISTANCE AND TRAINING

SEC. 804. The Secretary may provide, directly or through other arrangements, (1) technical assistance to public and private agencies in developing, conducting, and administering projects under this title, and (2) short-term in-service training for specialized or other personnel which is needed in connection with projects receiving financial assistance under this title.

RESEARCH, DEMONSTRATION, AND PILOT PROJECTS

SEC. 805. (a) The Secretary may provide financial assistance through grants or contracts for research, demonstration, or pilot projects conducted by public or private agencies which are designed to test or assist in the development of new approaches or methods that will aid in overcoming special problems or otherwise furthering the purposes of this title.

(b) The Secretary shall establish an overall plan to govern the approval of research, demonstration, and pilot projects and the use of all research authority under this title. The plan shall set forth specific objectives to be achieved and priorities among such objectives.

ANNOUNCEMENT OF RESEARCH, DEMONSTRATION, OR PILOT PROJECTS

SEC. 806. (a) The Secretary shall make a public announcement concerning—

(1) the title, purpose, intended completion date, identity of the grantee or contractor, and proposed cost of any grant or contract with a private or non-Federal public agency for a research, demonstration, or pilot project; and

(2) except in cases in which the Secretary determines that it would not be consistent with the purposes of this title, the results, findings, data, or recommendations made or reported as a result of such activities.

(b) The public announcements required by subsection (a) shall be made within thirty days of making such grants or contracts, and the public announcements required by subsection (b) of this section shall be made within thirty days of the receipt of such results.

SUBMISSION OF PLANS TO STATE AND LOCAL OFFICIALS

SEC. 807. (a) No financial assistance may be provided to any project under section 803 of this title or any research, demonstration, or pilot project under section 805 of this title, which is to be carried out on or in an Indian reservation or Alaskan Native village, unless a plan setting forth the project has been submitted to the governing body of that reservation or village and the plan has not been disapproved by the governing body within thirty days of its submission

(b) No financial assistance may be provided to any project under section 803 of this title or any research, demonstration, or pilot project under section 805 of this title, which is to be carried out in a State other than on or in an Indian reservation or Alaskan Native village or Hawaiian Homestead, unless the Secretary has notified the chief executive officer of the State of his decision to provide that assistance.

(c) No financial assistance may be provided to any project under section 803 of this title or any research, demonstration, or pilot project under section 805 of this title, which is to be carried out in a city, county, or other major political subdivision of a State, other than on or in an Indian reservation or Alaskan Native village, or Hawaiian Homestead, unless the Secretary has notified the local governing officials of the political subdivision of his decision to provide that assistance.

RECORDS AND AUDITS

SEC. 808. (a) Each agency which receives financial assistance under this title shall keep such records as the Secretary may prescribe, including records which fully disclose the amount and disposition by that agency of such financial assistance, the total cost of the project in connection with which such financial assistance is given or used, the amount of that portion of the cost of the project supplied by other sources, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of any agency which receives financial assistance under this title that are pertinent to the financial assistance received under this title.

APPEALS, NOTICE, AND HEARING

SEC. 809. The Secretary shall prescribe procedures to assure that—

(1) financial assistance under this title shall not be suspended, except in emergency situations, unless the assisted agency has been given reasonable notice and opportunity to show cause why such action should not be taken; and

(2) financial assistance under this title shall not be terminated, and application for refunding shall not be denied, and a suspension of financial assistance shall not be continued for longer than thirty days, unless the assisted agency has been afforded reasonable notice and opportunlty for a full and fair hearing.

EVALUATION

SEC. 810. (a) The Secretary shall provide, directly or through grants or contracts, for the evaluation of projects assisted under this

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title, including evaluations that describe and measure the impact of such projects, their effectiveness in achieving stated goals, their impact on related programs, and their structure and mechanisms for delivery of services, including, where appropriate, comparisons with appropriate control groups composed of persons who have not participated in such projects. Evaluations shall be conducted by persons not directly involved in the administration of the program or project evaluated.

(b) Prior to obligating funds for the programs and projects covered by this title with respect to fiscal year 1976, the Secretary shall develop and publish general standards for evaluation of program and project effectiveness in achieving the objectives of this title. The extent to which such standards have been met shall be considered in deciding whether to renew or supplement financial assistance authorized under this title.

(c) In carrying out evaluations under this title, the Secretary may require agencies which receive assistance under this title to provide for independent evaluations.

(d) In carrying out evaluations under this title, the Secretary shall, whenever feasible, arrange to obtain the specific views of persons participating in and served by programs and projects assisted under this title about such programs and projects.

(e) The Secretary shall publish the results of evaluative research and summaries of evaluations of program and project impact and effectiveness not later than ninety days after the completion thereof. The Secretary shall submit to the appropriate committees of the Congress copies of all such research studies and evaluation summaries.

(f) The Secretary shall take the necessary action to assure that all studies, evaluations, proposals, and data produced or developed with assistance under this title shall become the property of the United States.

LABOR STANDARDS

SEC. 811. All laborers and mechanics employed by contractors or subcontractors in the construction, alteration, or repair, including painting or decorating, of buildings or other facilities in connection with projects assisted under this title, shall be paid wages at rates not less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950, and section 2 of the Act of June 1, 1934.

DELEGATION OF AUTHORITY

SEC. 812. (a) The Secretary is authorized to delegate to the heads of other departments and agencies of the Federal Government any of his functions, powers, and duties under this title, as he may deem appropriate, and to authorize the redelegation of such functions, powers, and duties by the heads of such departments and agencies.

(b) Departments and agencies of the Federal Government shall exercise their powers, duties, and functions in such manner as will assist in carrying out the objectives of this title.

(c) Funds appropriated for the purposes of carrying out this title may be transferred between departments and agencies of the Government, if such funds are used for the purposes for which they are authorized and appropriated.

DEFINITIONS

SEC. 813. As used in this title, the term—

(1) "financial assistance" includes assistance advanced by grant, agreement, or contract, but does not include the procurement of plant or equipment, or goods or services;

(2) "Indian reservation or Alaskan Native village" includes the reservation of any federally or State recognized Indian tribe, including any band, nation, pueblo, or rancheria, any former reservation in Oklahoma, any community under the jurisdiction of an Indian tribe, including a band, nation, pueblo, or rancheria, with allotted lands or lands subject to a restriction against alienation imposed by the United States or a State, and any lands of or under the jurisdiction of an Alaskan Native village or group, including any lands selected by Alaskan Natives or Alaskan Native organizations under the Alaska Native Claims Settlement Act;

(3) "Native Hawaiian" means any individual any of whose ancestors were natives of the area which consists of the Hawaiian Islands prior to 1778.

AUTHORIZATION OF APPROPRIATIONS

SEC. 814. There are authorized to be appropriated for the purpose of carrying out the provisions of this title, such sums as may be necessary for fiscal years 1975 through 1977.

TITLE IX—EVALUATION

PROGRAM AND PROJECT EVALUATION

SEC. 901. (a)(1) The Director shall, directly or through grants or contracts, measure and evaluate the impact of all programs authorized by this Act and of poverty-related programs authorized by other Acts, in order to determine their effectiveness in achieving stated goals, their impact on related programs, and their structure and mechanisms for delivery of services, including where appropriate, comparisons with appropriate control groups composed of persons who have not participated in such programs. Evaluations shall be conducted by persons not directly involved in the administration of the program or project evaluated.

(2) In carrying out his responsibilities under this section, the Director, in the case of research, demonstrations, and related activities carried out under title I of this Act, shall, after taking into consideration the views of State agencies and community action agencies designated pursuant to section 210 of this Act, on an annual basis—

(A) reassess priorities to which such activities should be directed; and

(B) review present research, demonstration, and related activities to determine, in terms of the purpose specified for such activities in section 102(a) of this Act, whether and on what basis such activities should be continued, revised, or terminated.

(3) The Director shall, within 12 months after the date of enactment of this Act, and on each April 1 thereafter, prepare and furnish to the appropriate committees of the Congress a complete report on the determination and review carried out under paragraph (2) of this subsection, together with such recommendations, including any recommendations for additional legislation, as he deems appropriate.

(b) Prior to obligating funds for the programs and projects covered by this Act with respect to fiscal year 1976, the Director shall develop and publish general standards for evaluation of program and project effectiveness in achieving the objectives of this Act. The extent to which such standards have been met shall be considered in deciding whether to renew or supplement financial assistance authorized under any section of this Act. Reports submitted pursuant to section 608 of this Act shall describe the actions taken as a result of these evaluations.

(c) In carrying out evaluations under this title, the Director shall, whenever feasible, arrange to obtain the specific views of persons participating in and served by programs and projects assisted under this Act about such programs and projects, and shall consult, when appropriate, with State agencies and community action agencies designated pursuant to section 210, in order to provide for jointly sponsored objective evaluation studies on a State or areawide basis.

(d) The Director shall publish the results of evaluative research and summaries of evaluations of program and project impact and effectiveness not later than ninety days after the completion thereof. The Director shall submit to the appropriate committees of the Congress copies of all such research studies and evaluation summaries.

(e) The Director shall take the necessary action to assure that all studies, evaluations, proposals, and data produced or developed with assistance under this Act shall become the property of the United States.

COOPERATION OF AND CONSULTATION WITH OTHER FEDERAL AGENCIES

SEC. 902. (a) Such information and cooperation as the Director may deem necessary for purposes of the evaluations conducted under this title shall be made available to him, upon request, by the agencies of the executive branch.

(b) In carrying out evaluations under this title, the Director shall consult with the heads of other Federal agencies carrying out activities related to the subject matter of those evaluations.

EVALUATION BY OTHER ADMINISTERING AGENCIES

SEC. 903. The head of any agency administering a program authorized under this Act may, with respect to such program, conduct evaluations and take other actions authorized under this title to the same extent and in the same manner as the Director under this part. Nothing in this section shall preclude the Director from conducting such evaluations or taking such actions otherwise authorized under this title with respect to such programs.

TITLE X—LEGAL SERVICES CORPORATION [1] [2]

STATEMENT OF FINDINGS AND DECLARATION OF PURPOSE

SEC. 1001. The Congress finds and declared that—

(1) there is a need to provide equal access to the system of justice in our Nation for individuals who seek redress of grievances;

(2) there is a need to provide high quality legal assistance to those who would be otherwise unable to afford adequate legal counsel and to continue the present vital legal services program;

(3) providing legal assistance to those who face an economic barrier to adequate legal counsel will serve best the ends of justice;

(4) for many of our citizens, the availability of legal services has reaffirmed faith in our government of laws;

(5) to preserve its strength, the legal services program must be kept free from the influence of or use by it of political pressures; and

(6) attorneys providing legal assistance must have full freedom to protect the best interests of their clients in keeping with the Code of Professional Responsibility, the Canons of Ethics, and the high standards of the legal profession.

DEFINITIONS

SEC. 1002. As used in this title, the term—

(1) "Board" means the Board of Directors of the Legal Services Corporation;

(2) "Corporation" means the Legal Services Corporation established under this title;

(3) "eligible client" means any person financially unable to afford legal assistance;

(4) "Governor" means the chief executive officer of a State;

(5) "legal assistance" means the provision of any legal services consistent with the purposes and provisions of this title;

(6) " recipient" means any grantee, contractee, or recipient of financial assistance described in clause (A) of section 1006(a)(1);

(7) "staff attorney" means an attorney who receives more than one-half of his annual professional income from a recipient organized solely for the provision of legal assistance to eligible clients under this title; and

(8) "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

ESTABLISHMENT OF CORPORATION

SEC. 1003. (a) There is established in the District of Columbia a private nonmenbership nonprofit corporation, which shall be known

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[1] New title X was added to the Economic Opportunity Act of 1964 by section 2 of the Legal Services Corporation Act of 1974, Public Law 93–355, July 25, 1974, 88 Stat. 378–389.

[2] Further amendments made by Public Law 95–222, see p.

as the Legal Services Corporation, for the purpose of providing financial support for legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance.

(b) The Corporation shall maintain its principal office in the District of Columbia and shall maintain therein a designated agent to accept service of process for the Corporation. Notice to or service upon the agent shall be deemed notice to or service upon the Corporation.

(c) The Corporation, and any legal assistance program assisted by the Corporation, shall be eligible to be treated as an organization described in section 170(c)(2)(B) of the Internal Revenue Code of 1954 and as an organization described in section 501(c)(3) of the Internal Revenue Code of 1954 which is exempt from taxation under section 501(a) of such Code. If such treatments are conferred in accordance with the provisions of such Code, the Corporation, and legal assistance programs assisted by the Corporation, shall be subject to all provisions of such Code relevant to the conduct of organizations exempt from taxation.

GOVERNING BODY

SEC. 1004. (a) The Corporation shall have a Board of Directors consisting of eleven voting members appointed by the President, by and with the advice and consent of the Senate, no more than six of whom shall be of the same political party. A majority shall be members of the bar of the highest court of any State, and none shall be a full-time employee of the United States.

(b) The term of office of each member of the Board shall be three years, except that five of the members first appointed, as designated by the President at the time of appointment, shall serve for a term of two years. Each member of the Board shall continue to serve until the successor to such member has been appointed and qualified. The term of initial members shall be computed from the date of the first meeting of the Board. The term of each member other than initial members shall be computed from the date of termination of the preceding term. Any member appointed to fill a vacancy occurring prior to the expiration of the term for which such member's predecessor was appointed shall be appointed for the remainder of such term. No member shall be reappointed to more than two consecutive terms immediately following such member's initial term.

(c) The members of the Board shall not, by reason of such membership, be deemed officers or employees of the United States.

(d) The President shall select from among the voting members of the Board a chairman, who shall serve for a term of three years. Thereafter the Board shall annually elect a chairman from among its voting members.

(e) A member of the Board may be removed by a vote of seven members for malfeasance in office or for persistent neglect of or inability to discharge duties, or for offenses involving moral turpitude, and for no other cause.

(f) Within six months after the first meeting of the Board, the Board shall request the Governor of each State to appoint a nine-member advisory council for such State. A majority of the members of the advisory council shall be appointed, after recommendations have been received from the State bar association, from among the

attorneys admitted to practice in the State, and the membership of the council shall be subject to annual reappointment. If ninety days have elapsed without such an advisory council appointed by the Governor, the Board is authorized to appoint such a council. The advisory council shall be charged with notifying the Corporation of any apparent violation of the provisions of this title and applicable rules, regulations, and guidelines promulgated pursuant to this title. The advisory council shall, at the same time, furnish a copy of the notification to any recipient affected thereby, and the Corporation shall allow such recipient a reasonable time (but in no case less than thirty days) to reply to any allegation contained in the notification.

(g) All meetings of the Board, of any executive committee of the Board, and of any advisory council established in connection with this title shall be open to the public, and any minutes of such public meetings shall be available to the public, unless the membership of such bodies, by two-thirds vote of those eligible to vote, determines that an executive session should be held on a specific occasion.

(h) The Board shall meet at least four times during each calendar year.

OFFICERS AND EMPLOYEES

SEC. 1005. (a) The Board shall appoint the president of the Corporation, who shall be a member of the bar of the highest court of a State and shall be a non-voting ex officio member of the Board, and such other officers as the Board determines to be necessary. No officer of the Corporation may receive any salary or other compensation for services from any source other than the Corporation during his period of employment by the Corporation, except as authorized by the Board. All officers shall serve at the pleasure of the Board.

(b)(1) The president of the Corporation, subject to general policies established by the Board, may appoint and remove such employees of the Corporation as he determines necessary to carry out the purposes of the Corporation.

(2) No political test or political qualification shall be used in selecting, appointing, promoting, or taking any other personnel action with respect to any officer, agent, or employee of the Corporation or of any recipient, or in selecting or monitoring any grantee, contractor, or person or entity receiving financial assistance under this title.

(c) No member of the Board may participate in any decision, action, or recommendation with respect to any matter which directly benefits such member or pertains specifically to any firm or organization with which such member is then associated or has been associated within a period of two years.

(d) Officers and employees of the Corporation shall be compensated at rates determined by the Board, but not in excess of the rate of level V of the Executive Schedule specified in section 5316 of title 5, United States Code.

(e)(1) Except as otherwise specifically provided in this title, officers and employees of the Corporation shall not be considered officers or employees, and the Corporation shall not be considered a department, agency, or instrumentality, of the Federal Government.

(2) Nothing in this title shall be construed as limiting the authority of the Office of Management and Budget to review and submit comments upon the Corporation's annual budget request at the time it is transmitted to the Congress.

(f) Officers and employees of the Corporation shall be considered officers and employees of the Federal Government for purposes of the following provisions of title 5, United States Code: subchapter I of chapter 81 (relating to compensation for work injuries); chapter 83 (relating to civil service retirement); chapter 87 (relating to life insurance); and chapter 89 (relating to health insurance). The Corporation shall make contributions at the same rates applicable to agencies of the Federal Government under the provisions referred to in this subsection.

(g) The Corporation and its officers and employees shall be subject to the provisions of section 552 of title 5, United States Code (relating to freedom of information).

POWERS, DUTIES, AND LIMITATIONS

SEC. 1006. (a) To the extent consistent with the provisions of this title, the Corporation shall exercise the powers conferred upon a nonprofit corporation by the District of Columbia, Nonprofit Corporation Act (except for section 1005 (o) of title 29 of the District of Columbia Code). In addition, the Corporation is authorized—

(1)(A) to provide financial assistance to qualified programs furnishing legal assistance to eligible clients, and to make grants to and contracts with—

(i) individuals, partnerships, firms, corporations, and nonprofit organizations, and

(ii) State and local governments (only upon application by an appropriate State or local agency or institution and upon a special determination by the Board that the arrangements to be made by such agency or institution will provide services which will not be provided adequately through nongovernmental arrangements),

for the purpose of providing legal assistance to eligible clients under this title, and (B) to make such other grants and contracts as are necessary to carry out the purposes and provisions of this title;

(2) to accept in the name of the Corporation, and employ or dispose of in furtherance of the purposes of this title, any money, or property, real, personal, or mixed, tangible or intangible, received by gift, bequest, or otherwise; and

(3) to undertake directly and not by grant or contract, the following activities relating to the delivery of legal assistance—

(A) research,

(B) training and technical assistance, and

(C) to serve as a clearinghouse for information.

(b)(1) The Corporation shall have authority to insure the compliance of recipients and their employees with the provisions of this title and the rules, regulations, and guidelines promulgated pursuant to this title, and to terminate, after a hearing in accordance with section 1011, financial support to a recipient which fails to comply.

(2) If a recipient finds that any of its employees has violated or caused the recipient to violate the provisions of this title or the rules, regulations, and guidelines promulgated pursuant to this title, the recipient shall take appropriate remedial or disciplinary action in accordance with the types of procedures prescribed in the provisions of section 1011.

(3) The Corporation shall not, under any provision of this title, interfere with any attorney in carrying out his professional responsibilities to his client as established in the Canons of Ethics and the Code of Professional Responsibility of the American Bar Association (referred to collectively in this title as 'professional responsibilities') or abrogate as to attorneys in programs assisted under this title the authority of a State or other jurisdiction to enforce the standards of professional responsiblity generally applicable to attorneys in such jurisdiction. The Corporation shall ensure that activities under this title are carried out in a manner consistent with attorneys' professional responsibilities.

(4) No attorney shall receive any compensation, either directly or indirectly, for the provision of legal assistance under this title unless such attorney is admitted or otherwise authorized by law, rule, or regulation to practice law or provide such assistance in the jurisdiction where such assistance is initiated.

(5) The Corporation shall insure that (A) no employee of the Corporation or of any recipient (except as permitted by law in connection with such employee's own employment situation), while carrying out legal assistance activities under this title, engage in, or encourage others to engage in, any public demonstration or picketing, boycott, or strike; and (B) no such employees shall, at any time, engage in, or encourage others to engage in, any of the following activities: (i) any rioting or civil disturbance, (ii) any activity which is in violation of an outstanding injunction of any court of competent jurisdiction, (iii) any other illegal activity, or (iv) any intentional identification of the Corporation or any recipient with any political activity prohibited by section 1007(a)(6). The Board, within ninety days after its first meeting, shall issue rules and regulations to provide for the enforcement of this paragraph and section 1007(a)(5), which rules shall include, among available remedies, provisions, in accordance with the types of procedures prescribed in the provisions of section 1011, for suspension of legal assistance supported under this title, suspension of an employee of the Corporation or of any employee of any recipient by such recipient, and, after consideration of other remedial measures and after a hearing in accordance with section 1011, the termination of such assistance or employment, as deemed appropriate for the violation in question.

(6) In areas where significant numbers of eligible clients speak a language other than English as their principal language, the Corporation shall, to the extent feasible, provide that their principal language is used in the provision of legal assistance to such clients under this title.

(c) The Corporation shall not itself—

(1) participate in litigation on behalf of clients other than the Corporation; or

(2) undertake to influence the passage or defeat of any legislation by the Congress of the United States or by any State or local legislative bodies, except that personnel of the Corporation may testify or make other appropriate communication (A) when formally requested to do so by a legislative body, a committee, or a member thereof, or (B) in connection with legislation or approptiations directly affecting the activities of the Corporation.

(d)(1) The Corporation shall have no power to issue any shares of stock, or to declare or pay any dividends.

(2) No part of the income or assets of the Corporation shall inure to the benefit of any director, officer, or employee, except as reasonable compensation for services or reimbursement for expenses.

(3) Neither the Corporation nor any recipient shall contribute or make available corporate funds or program personnel or equipment to any political party or association, or the campaign of any candidate for public or party office.

(4) Neither the Corporation nor any recipient shall contribute or make available corporate funds or program personnel or equipment for use in advocating or opposing any ballot measures, initiatives, or referendums. However, an attorney may provide legal advice and representation as an attorney to any eligible client with respect to such client's legal rights.

(5) No class action suit, class action appeal, or amicus curiae class action may be undertaken, directly or through others, by a staff attorney, except with the express approval of a project director of a recipient in accordance with policies established by the governing body of such recipient.

(e)(1) Employees of the Corporation or of recipients shall not at any time intentionally identify the Corporation or the recipient with any partisan or nonpartisan political activity associated with a political party or association, or the campaign of any candidate for public or party office.

(2) Employees of the Corporation shall be deemed to be State or local employees for purposes of chapter 15 of title 5, United States Code.

(f) If an action is commenced by the Corporation or by a recipient and a final order is entered in favor of the defendant and against the Corporation or a recipient's plaintiff, the court may, upon motion by the defendant and upon a finding by the court that the action was commenced or pursued for the sole purpose of harassment of the defendant or that the Corporation or a recipient's plaintiff maliciously abused legal process, enter an order (which shall be appealable before being made final) awarding reasonable costs and legal fees incurred by the defendant in defense of the action, except when in contravention of a State law, a rule of court, or a statute of general applicability. Any such costs and fees shall be directly paid by the Corporation.

GRANTS AND CONTRACTS

SEC. 1007. (a) With respect to grants or contracts in connection with the provision of legal assistance to eligible clients under this title, the Corporation shall—

(1) insure the maintenance of the highest quality of service and professional standards, the preservation of attorney-client relationships and the protection of the integrity of the adversary process from any impairment in furnishing legal assistance to eligible clients;

(2)(A) establish, in consultation with the Director of the Office of Management and Budget and with the Governors of the several States, maximum income levels (taking into account

family size, urban and rural differences, and substantial cost-of-living variations) for individuals eligible for legal assistance under this title;

(B) establish guidelines to insure that eligibility of clients will be determined by recipients on the basis of factors which include—

(i) the liquid assets and income level of the client,

(ii) the fixed debts, medical expenses, and other factors which affect the client's ability to pay.

(iii) the cost of living in the locality, and

(iv) such other factors as relate to financial inability to afford legal assistance, which shall include evidence of a prior determination, which shall be a disqualifying factor, that such individual's lack of income results from refusal or unwillingness, without good cause, to seek or accept an employment situation; and

(C) establish priorities to insure that persons least able to afford legal assistance are given preference in the furnishing of such assistance;

(3) insure that grants and contracts are made so as to provide the most economical and effective delivery of legal assistance to persons in both urban and rural areas;

(4) insure that attorneys employed full time in legal assistance activities supported in major part by the Corporation refrain from (A) any compensated outside practice of law, and (B) any uncompensated outside practice of law except as authorized in guidelines promulgated by the Corporation;

(5) insure that no funds made available to recipients by the Corporation shall be used at any time, directly or indirectly, to influence the issuance, amendment, or revocation of any executive order or similar promulgation by any Federal, State, or local agency, or to undertake to influence the passage or defeat of any legislation by the Congress of the United States, or by any State or local legislative bodies, except where—

(A) representation by an attorney as an attorney for any eligible client is necessary to the provision of legal advice and representation with respect to such client's legal rights and responsibilities (which shall not be construed to permit a recipient or an attorney to solicit a client for the purpose of making such representation possible, or to solicit a group with respect to matters of general concern to a broad class of persons as distinguished from acting on behalf of any particular client); or

(B) a governmental agency, a legislative body, a committee, or a member thereof requests personnel of any recipient to make representations thereto;

(6) insure that all attorneys engaged in legal assistance activities supported in whole or in part by the Corporation refrain, while so engaged, from—

(A) any political activity, or

(B) any activity to provide voters or prospective voters with transportation to the polls or provide similar assistance in connection with an election (other than legal advice and representation), or

(C) any voter registration activity (other than legal advice and representation);

and insure that staff attorneys refrain at any time during the period for which they receive compensation under this title from the activities described in clauses (B) and (C) of this paragraph and from political activities of the type prohibited by section 1502(a) of title 5, United States Code, whether partisan or nonpartisan;

(7) require recipients to establish guidelines, consistent with regulations promulgated by the Corporation, for a system for review of appeals to insure the efficient utilization of resources and to avoid frivolous appeals (except that such guidelines or regulations shall in no way interfere with attorneys' professional responsibilities);

(8) insure that recipients solicit the recommendations of the organized bar in the community being served before filing staff attorney positions in any project funded pursuant to this title and give preference in filling such positions to qualified persons who reside in the community to be served;

(9) insure that every grantee, contractor, or person or entity receiving financial assistance under this title or predecessor authority under this Act which files with the Corporation a timely application for refunding is provided interim funding necessary to maintain its current level of activities until (A) the application for refunding has been approved and funds pursuant thereto received, or (B) the application for refunding has been finally denied in accordance with section 1011 of this Act; and

(10) insure that all attorneys, while engaged in legal assistance activities supported in whole or in part by the Corporation, refrain from the persistent incitement of litigation and any other activity prohibited by the Canons of Ethics and Code of Professional Responsibility of the American Bar Association, and insure that such attorneys refrain from personal representation for a private fee in any cases in which they were involved while engaged in such legal assistance activities.

(b) No funds made available by the Corporation under this title, either by grant or contract, may be used—

(1) to provide legal assistance with respect to any fee-generating case (except in accordance with guidelines promulgated by the Corporation), to provide legal assistance with respect to any criminal proceeding, or to provide legal assistance in civil actions to persons who have been convicted of a criminal charge where the civil action arises out of alleged acts or failures to act and the action is brought against an officer of the court or against a law enforcement official for the purpose of challenging the validity of the criminal convict;

(2) for any of the political activities prohibited in paragraph (6) of subsection (a) of this section;

(3) to make grants to or enter into contracts with any private law firm which expends 50 percent or more of its resources and time litigating issues in the broad interests of a majority of the public;

(4) to provide legal assistance under this title to any unemancipated person of less than eighteen years of age, except (A) with the written request of one of such person's parents or guardians, (B) upon the request of a court of competent jurisdiction, (C) in child abuse cases, custody proceedings, persons in need of supervision (PINS) proceedings, or cases involving the initiation, continuation, or conditions of institutionalization, or (D) where necessary for the protection of such person for the purpose of securing, or preventing the loss of, benefits, or securing, or preventing the loss or imposition of, services under law in cases not involving the child's parent or guardian as a defendant or respondent;

(5) to support or conduct training programs for the purpose of advocating particular public policies or encouraging political, activities, labor or antilabor activities, boycotts, picketing, strikes and demonstrations, as distinguished from the dissemination of information about such policies or activities, except that this provision shall not be construed to prohibit the training of attorneys or paralegal personnel necessary to prepare them to provide adequate legal assistance to eligible clients;

(6) to organize, to assist or organize, or to encourage to organize, or to plan for the creation or formation of, or the structuring of, any organization, association, coalition, alliance, federation, confederation, or any similar entity, except for the provision of legal assistance to eligible clients in accordance with guidelines promulgated by the Corporation:

(7) to provide legal assistance with respect to any proceeding or litigation relating to the desegregation of any elementary or secondary school or school system;

(8) to provide legal assistance with respect to any preceeding or litigation which seeks to procure a nontherapeutic abortion or to compel any individual or institution to perform an abortion, or assist in the performance of an abortion, or provide facilities for the performance of an abortion, contrary to the religious beliefs or moral convictions of such individual or institution; or

(9) to provide legal assistance with respect to any proceeding or litigation arising out of a violation of the Military Selective Service Act or of desertion from the Armed Forces of the United States.

(c) In making grants or entering into contracts for legal assistance, the Corporation shall insure that any recipient organized solely for the purpose of providing legal assistance to eligible clients is governed by a body at least 60 percent of which consists of attorneys who are members of the bar of a State in which the legal assistance is to be provided (except that the Corporation (1) shall, upon application, grant waivers to permit a legal services program, supported under section 222(a)(3) of the Economic Opportunity Act of 1964, which on the date of enactment of this title has a majority of persons who are not attorneys on its policy-making board to continue such a non-attorney majority under the provisions of this title, and (2) may grant, pursuant to regulations issued by the Corporation, such a waiver for recipients which, because of the nature of the population they serve, are unable to comply with such requirement) and which include

at least one individual eligible to receive legal assistance under this title. Any such attorney, while serving on such board, shall not receive compensation from a recipient.

(d) The Corporation shall monitor and evaluate and provide for independent evaluations of programs supported in whole or in part under this title to insure that the provisions of this title and the bylaws of the Corporation and applicable rules, regulations, and guidelines promulgated pursuant to this title are carried out.

(e) The President of the Corporation is authorized to make grants and enter into contracts under this title.

(f) At least thirty days prior to the approval of any grant application or prior to entering into a contract or prior to the initiation of any other project, the Corporation shall announce publicly, and shall notify the Governor and the State bar association of any State where legal assistance will thereby be initiated, of such grant, contract, or project. Notification shall include a reasonable description of the grant application or proposed contract or project and request comments and recommendations.

(g) The Corporation shall provide for comprehensive, independent study of the existing staff-attorney program under this Act and, through the use of appropriate demonstration projects, of alternative and supplemental methods of delivery of legal services to eligible clients, including judicare, vouchers, prepaid legal insurance, and contracts with law firms; and, based upon the results of such study, shall make recommendations to the President and the Congress, not later than two years after the first meeting of the Board, concerning improvements, changes, or alternative methods for the economical and effective delivery of such services.

RECORDS AND REPORTS

SEC. 1008. (a) The Corporation is authorized to require such reports as it deems necessary from any grantee, contractor, or person or entity receiving financial assistance under this title regarding activities carried out pursuant to this title.

(b) The Corporation is authorized to prescribe the keeping of records with respect to funds provided by grant or contract and shall have access to such records at all reasonable times for the purposes of insuring compliance with the grant or contract or the terms and conditions upon which financial assistance was provided.

(c) The Corporation shall publish an annual report which shall be filed by the Corporation with the President and the Congress.

(d) Copies of all reports pertinent to the evaluation, inspection, or monitoring of any grantee, contractor, or person or entity receiving financial assistance under this title shall be submitted on a timely basis to such grantee, contractor, or person or entity, and shall be maintained in the principal office of the Corporation for a period of at least five years subsequent to such evaluation, inspection, or monitoring. Such reports shall be available for public inspection during regular business hours, and copies shall be furnished, upon request, to interested parties upon payment of such reasonable fees as the Corporation may establish.

(e) The Corporation shall afford notice and reasonable opportunity for comment to interested parties prior to issuing rules, regula-

tions, and guidelines, and it shall publish in the Federal Register at least 30 days prior to their effective date all its rules, regulations, guidelines, and instruction.

AUDITS

SEC. 1009. (a)(1) The accounts of the Corporation shall be audited annually. Such audits shall be conducted in accordance with generally accepted auditing standards by independent certified public accountants who are certified by a regulatory authority of the jurisdiction in which the audit is undertaken.

(2) The audits shall be conducted at the place or places where the accounts of the Corporation are normally kept. All books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Corporation and necessary to facilitate the audits shall be made available to the person or persons conducting the audits; and full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to any such person.

(3) The report of the annual audit shall be filed with the General Accounting Office and shall be available for public inspection during business hours at the principal office of the Corporation.

(b)(1) In addition to the annual audit, the financial transactions of the Corporation for any fiscal year during which Federal funds are available to finance any portion of its operations may be audited by the General Accounting Office in accordance with such rules and regulations as may be prescribed by the Comptroller General of the United States.

(2) Any such audit shall be conducted at the place or places where accounts of the Corporation are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and other papers or property belonging to or in use by the Corporation and necessary to facilitate the audit; and full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians shall be afforded to such representatives. All such books, accounts, financial records, reports, files, and other papers or property of the Corporation shall remain in the possession and custody of the Corporation.

(3) A report of such audit shall be made by the Comptroller General to the Congress and to the President, together with such recommendations with respect thereto as he shall deem advisable.

(c)(1) The Corporation shall conduct, or require each grantee, contractor, or person or entity receiving financial assistance under this title to provide for, an annual financial audit. The report of each such audit shall be maintained for a period of at least five years at the principal office of the Corporation.

(2) The Corporation shall submit to the Comptroller General of the United States copies of such reports, and the Comptroller General may, in addition, inspect the books, accounts, financial records, files, and other papers or property belonging to or in use by such grantee, contractor, or person or entity, which relate to the disposition or use of funds received from the Corporation. Such audit reports shall be available for public inspection, during regular business hours, at the principal office of the Corporation.

(d) Notwithstanding the provisions of this section or section 1008, neither the Corporation nor the Comptroller General shall have access to any reports or records subject to the attorney-client privilege.

FINANCING

SEC. 1010. (a) There are authorized to be appropriated for the purpose of carrying out the activities of the Corporation $90,000,000 for fiscal year 1975, $100,000,000 for fiscal year 1976, and such sums as may be necessary for fiscal year 1977. The first appropriation may be made available to the Corporation at any time after six or more members of the Board have been appointed and qualified. Appropriations shall be for not more than two fiscal years, and, if for more than one year, shall be paid to the Corporation in annual installments at the beginning of each fiscal year in such amounts as may be specified in appropriation Acts.

(b) Funds appropriated pursuant to this section shall remain available until expended.

(c) Non-Federal funds received by the Corporation, and funds, received by any recipient from a source other than the Corporation, shall be accounted for and reported as receipts and disbursements separate and distinct from Federal funds; but any funds so received for the provision of legal assistance shall not be expended by recipients for any purpose prohibited by this title, except that this provision shall not be construed to prevent recipients from receiving other public funds or tribal funds (including foundation funds benefiting Indians or Indian tribes) and expending them in accordance with the purposes for which they are provided, or to prevent contracting or making other arrangements with private attorneys, private law firms, or other State or local entities of attorneys, or with legal aid societies having separate public defender programs, for the provision of legal assistance to eligible clients under this title.

SPECIAL LIMITATIONS

SEC. 1011. The Corporation shall prescribe procedures to insure that—

(1) financial assistance under this title shall not be suspended unless the grantee, contractor, or person or entity receiving financial assistance under this title has been given reasonable notice and opportunity to show cause why such action should not be taken; and

(2) financial assistance under this title shall not be terminated, an application for refunding shall not be denied, and a suspension of financial assistance shall not be continued for longer than thirty days, unless the grantee, contractor, or person or entity receiving financial assistance under this title has been afforded reasonable notice and opportunity for a timely, full, and fair hearing.

COORDINATION

SEC. 1012. The President may direct that appropriate support functions of the Federal Government may be made available to the Corporation in carrying out its activities under this title, to the extent not inconsistent with other applicable law.

RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 1013. The right to repeal, alter, or amend this title at any time is expressly reserved.

SHORT TITLE

SEC. 1014. This title may be cited as the "Legal Services Corporation Act".

PROVISIONS OF 1974 AMENDMENTS WHICH RELATE TO BUT DO NOT AMEND THE ECONOMIC OPPORTUNITY ACT OF 1964

The following provisions of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 (Public Law 93-644), while relating to the conduct of programs under the Economic Opportunity Act of 1964, do not amend the Act as such and therefore are not included in the foregoing compilation of provisions of the Act, as amended.

ASSISTANCE FOR MIGRANT AND OTHER SEASONALLY EMPLOYED FARMWORKERS AND THEIR FAMILIES

SEC. 6. * * *

* * * * * * *

(c) In providing financial assistance under the provisions of part B of title III of the Economic Opportunity Act of 1964, the Director shall give special consideration to any public or private nonprofit agency which has previously received financial assistance thereunder for the provision of services for migrant and other seasonally employed farmworkers and their families, taking into account financial assistance provided to any such agency under section 303 of the Comprehensive Employment and Training Act of 1973.

AUTHORIZATION OF APPROPRIATIONS

SEC. 15. (a)(1) For the purpose of carrying out title I, title II, title III, title IV, title V, title VI, title VII, title VIII, and title IX of the Economic Opportunity Act of 1964, there are authorized to be appropriated such sums as may be necessary for each of the fiscal years 1975 through 1977.

(2) For the purpose of carrying out the programs authorized under section 221 there is authorized to be appropriated $330,000,000 for the fiscal year 1975 and such sums as may be necessary for each of the two succeeding fiscal years.

(b) Unless the Congress has passed or formally rejected legislation extending the authorizations of appropriations for carrying out any title of the Economic Opportunity Act of 1964 specified in subsection (a) of this section, or adopts a concurrent resolution providing that the provisions of this subsection shall not apply, the authorizations of appropriations specified in subsection (a) are hereby automatically extended for one additional fiscal year beyond the terminal year specified in the Economic Opportunity Act of 1964 or in this section.

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(c) Any funds appropriated to carry out any program under the Community Services Act of 1974 which are not obligated prior to the end of the fiscal year for which such funds were appropriated shall remain available for obligation during the succeeding fiscal year.

REFLECTED IN THIS COMPILATION OF THE ECONOMIC OPPORTUNITY ACT OF 1964, AS AMENDED:

Economic Opportunity Act of 1964, Public Law 88–452, 78 Stat. 508, August 20, 1964.

Economic Opportunity Amendments of 1965, Public Law 89–253, 79 Stat. 973, October 9, 1965.

Economic Opportunity Amendments of 1966, Public Law 89–794, 80 Stat. 1451, November 8, 1966.

Economic Opportunity Amendments of 1976, Public Law 90–222, 81 Stat. 672, December 23, 1967.

Economic Opportunity Amendments of 1969, Public Law 91–177, 83 Stat. 827, December 30, 1969.

Economic Opportunity Amendments of 1972, Public Law 92–424, 86 Stat. 688, September 19, 1972.

Comprehensive Employment and Training Act of 1973, Public Law 93–203, 87 Stat. 839, December 28, 1973.

Legal Services Corporation Act of 1974, Public Law 93–355, 88 Stat. 378, July 25, 1974.

Headstart, Economic Opportunity, and Community Partnership Act of 1974, Public Law 93–644, 88 Stat. 2291, January 4, 1975.

Community Services Act Technical Amendments, Public Law 94–341, 90 Stat. 803, July 6, 1976.

Public Law 95-222
95th Congress

An Act

To amend the Legal Services Corporation Act to provide authorization of appropriations for additional fiscal years, and for other purposes.

Dec. 28, 1977
[H.R. 6666]

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

Legal Services Corporation Act Amendments of 1977.
42 USC 2701 note.

SECTION 1. This Act may be cited as the "Legal Services Corporation Act Amendments of 1977".

DECLARATION OF PURPOSE

SEC. 2. Section 1001 of the Legal Services Corporation Act (42 U.S.C. 2996) is amended by inserting before the semicolon at the end of paragraph (3) "and assist in improving opportunities for low-income persons consistent with the purposes of this Act".

MEMBERSHIP OF GOVERNING BOARD

Appointment.

SEC. 3. Section 1004(a) of the Legal Services Corporation Act (42 U.S.C. 2996c(a)) is amended by inserting at the end thereof the following new sentence: "Effective with respect to appointments made after the date of enactment of the Legal Services Corporation Act Amendments of 1977 but not later than July 31, 1978, the membership of the Board shall be appointed so as to include eligible clients, and to be generally representative of the organized bar, attorneys providing legal assistance to eligible clients, and the general public.".

SUNSHINE PROVISION

SEC. 4. Section 1004(g) of the Legal Services Corporation Act (42 U.S.C. 2996c(g)) is amended by striking out all that follows "open" and inserting in lieu thereof "and shall be subject to the requirements and provisions of section 552b of title 5, United States Code (relating to open meetings).".

SUPPORT ASSISTANCE

SEC. 5. (a) Paragraph (3) of section 1006(a) of the Legal Services Corporation Act (42 U.S.C. 2996e(a)(3)) is amended by striking out "and not" and inserting in lieu thereof a comma and "or".

(b) Section 1006(a)(3)(A) of the Legal Services Corporation Act (42 U.S.C. 2996e(a)(3)(A)) is amended by inserting at the end thereof the following: "except that broad general legal or policy research unrelated to representation of eligible clients may not be undertaken by grant or contract,".

(c) Section 1010 of the Legal Services Corporation Act (42 U.S.C. 2996i) is amended by adding at the end thereof the following new subsection:

"(d) Not more than 10 percent of the amounts appropriated pursuant to subsection (a) of this section for any fiscal year shall be available for grants or contracts under section 1006(a)(3) in any such year.".

Supra.

POWERS, DUTIES, AND LIMITATIONS OF THE CORPORATION AND RECIPIENTS

SEC. 6. (a) Section 1006(b)(1) of the Legal Services Corporation Act (42 U.S.C. 2996e(b)(1)) is amended by inserting "(A)" after "SEC. 1006. (b)(1)" and by adding at the end thereof the following new subparagraph:

"(B) No question of whether representation is authorized under this title, or the rules, regulations or guidelines promulgated pursuant to this title, shall be considered in, or affect the final disposition of, any proceeding in which a person is represented by a recipient or an employee of a recipient. A litigant in such a proceeding may refer any such question to the Corporation which shall review and dispose of the question promptly, and take appropriate action. This subparagraph shall not preclude judicial review available under applicable law.".

Review

(b) Section 1006(c)(1) of the Legal Services Corporation Act (42 U.S.C. 2996e(c)(1)) is amended to read as follows:

"(1) participate in litigation unless the Corporation or a recipient of the Corporation is a party, or a recipient is representing an eligible client in litigation in which the interpretation of this title or a regulation promulgated under this title is an issue, and shall not participate on behalf of any client other than itself; or".

Appointment without compensation.

(c) Section 1006(d) of the Legal Services Corporation Act (42 U.S.C. 2996e(d)) is amended by adding at the end thereof the following new paragraph:

"(6) Attorneys employed by a recipient shall be appointed to provide legal assistance without reasonable compensation only when such appointment is made pursuant to a statute, rule, or practice applied generally to attorneys practicing in the court where the appointment is made.".

ACTIVITIES OF STAFF ATTORNEYS

SEC. 7. (a) Paragraph (2) of section 1006(e) of the Legal Services Corporation Act (42 U.S.C. 2996e(e)(2)) is amended by inserting "and staff attorneys" after "Corporation", and by inserting before the period at the end thereof a comma and the following: "except that no staff attorney may be a candidate in a partisan political election".

(b) Section 1007(a)(6) of the Legal Services Corporation Act (42 U.S.C. 2996f(a)(6)) is amended by striking out the matter following clause (C).

REIMBURSEMENT FOR SUCCESSFUL DEFENDANTS

SEC. 8. The first sentence of section 1006(f) of the Legal Services Corporation Act (42 U.S.C. 2996e(f)) is amended by striking out "may" and inserting in lieu thereof "shall".

ASSISTANCE CRITERIA

SEC. 9. (a) Paragraph (2)(B)(iv) of section 1007(a) of the Legal Services Corporation Act (42 U.S.C. 2996f(a)(2)(B)(iv)) is amended to read as follows:

"(iv) such other factors as relate to financial inability to afford legal assistance, which may include evidence of a prior determination that such individual's lack of income results from refusal or unwillingness, without good cause, to seek or accept an employment situation; and".

(b) (1) Paragraph (2) (C) of section 1007(a) of the Legal Services Corporation Act (42 U.S.C. 2996f(a) (2) (C)) is amended to read as follows:

"(C) insure that (i) recipients, consistent with goals established by the Corporation, adopt procedures for determining and implementing priorities for the provision of such assistance, taking into account the relative needs of eligible clients for such assistance (including such outreach, training, and support services as may be necessary), including particularly the needs for service on the part of significant segments of the population of eligible clients with special difficulties of access to legal services or special legal problems (including elderly and handicapped individuals); and (ii) appropriate training and support services are provided in order to provide such assistance to such significant segments of the population of eligible clients;".

(2) Section 1008(c) of the Legal Services Corporation Act (42 U.S.C. 2996g(c)) is amended by adding at the end thereof the following new sentence: "Such report shall include a description of services provided pursuant to section 1007(a)(2)(C) (i) and (ii).". Annual report, contents. *Supra.*

(c) Paragraph (5) of section 1007(a) of the Legal Services Corporation Act (42 U.S.C. 2996f(a)(5)) is amended to read as follows:

"(5) insure that no funds made available to recipients by the Corporation shall be used at any time, directly or indirectly, to influence the issuance, amendment, or revocation of any executive order or similar promulgation by any Federal, State, or local agency, or to undertake to influence the passage or defeat of any legislation by the Congress of the United States, or by any State or local legislative bodies, or State proposals by initiative petition, except where—

"(A) representation by an employee of a recipient for any eligible client is necessary to the provision of legal advice and representation with respect to such client's legal rights and responsibilities (which shall not be construed to permit an attorney or a recipient employee to solicit a client, in violation of professional responsibilities, for the purpose of making such representation possible); or

"(B) a governmental agency, legislative body, a committee, or a member thereof—

"(i) requests personnel of the recipient to testify, draft, or review measures or to make representations to such agency, body, committee, or member, or

"(ii) is considering a measure directly affecting the activities under this title of the recipient or the Corporation.".

LIMITATIONS ON USE OF FUNDS

SEC. 10. Section 1007(b) of the Legal Services Corporation Act (42 U.S.C. 2996f(b)) is amended to read as follows:

"(b) No funds made available by the Corporation under this title, either by grant or contract, may be used—

"(1) to provide legal assistance (except in accordance with guidelines promulgated by the Corporation) with respect to any fee-generating case (which guidelines shall not preclude the provision of legal assistance in cases in which a client seeks only statutory benefits and appropriate private representation is not available);

"(2) to provide legal assistance with respect to any criminal proceeding, except to provide assistance to a person charged with a misdemeanor or lesser offense or its equivalent in an Indian tribal court;

"(3) to provide legal assistance in civil actions to persons who have been convicted of a criminal charge where the civil action arises out of alleged acts or failures to act and the action is brought against an officer of the court or against a law enforcement official for the purpose of challenging the validity of the criminal conviction;

"(4) for any of the political activities prohibited in paragraph (6) of subsection (a) of this section;

"(5) to make grants to or enter into contracts with any private law firm which expends 50 percent or more of its resources and time litigating issues in the broad interests of a majority of the public;

"(6) to support or conduct training programs for the purpose of advocating particular public policies or encouraging political activities, labor or antilabor activities, boycotts, picketing, strikes, and demonstrations, as distinguished from the dissemination of information about such policies or activities, except that this provision shall not be construed to prohibit the training of attorneys or paralegal personnel necessary to prepare them to provide adequate legal assistance to eligible clients;

"(7) to initiate the formation, or act as an organizer, of any association, federation, or similar entity, except that this paragraph shall not be construed to prohibit the provision of legal assistance to eligible clients;

"(8) to provide legal assistance with respect to any proceeding or litigation which seeks to procure a nontherapeutic abortion or to compel any individual or institution to perform an abortion, or assist in the performance of an abortion, or provide facilities for the performance of an abortion, contrary to the religious beliefs or moral convictions of such individual or institution;

"(9) to provide legal assistance with respect to any proceeding or litigation relating to the desegregation of any elementary or secondary school or school system, except that nothing in this paragraph shall prohibit the provision of legal advice to an eligible client with respect to such client's legal rights and responsibilities; or

"(10) to provide legal assistance with respect to any proceeding or litigation arising out of a violation of the Military Selective Service Act or of desertion from the Armed Forces of the United States, except that legal assistance may be provided to an eligible client in a civil action in which such client alleges that he was improperly classified prior to July 1, 1973, under the Military Selective Service Act or prior corresponding law.".

50 USC app. 451.

GOVERNING BODIES OF RECIPIENTS

SEC. 11. Section 1007(c) of the Legal Services Corporation Act (42 U.S.C. 2996f(c)) is amended by striking out "and which includes at least one individual eligible to receive legal assistance under this title." and inserting in lieu thereof "and at least one-third of which consists of persons who are, when selected, eligible clients who may also be representatives of associations or organizations of eligible clients.".

NOTIFICATION

SEC. 12. Section 1007(f) of the Legal Services Corporation Act (42 U.S.C. 2996f(f)) is amended by striking all that follows "Governor" and inserting in lieu thereof a comma and: "the State bar association of any State, and the principal local bar associations (if there be any) of any community, where legal assistance will thereby be initiated, of such grant, contract, or project. Notification shall include a reasonable description of the grant application or proposed contract or project and request comments and recommendations.".

ELIGIBLE CLIENTS' SPECIAL NEEDS ASSESSMENT STUDY

SEC. 13. Section 1007 of the Legal Services Corporation Act (42 U.S.C. 2996f) is amended by adding at the end thereof the following new subsection:

"(h) The Corporation shall conduct a study on whether eligible clients who are—

"(1) veterans,

"(2) native Americans,

"(3) migrants or seasonal farm workers,

"(4) persons with limited English-speaking abilities, and

"(5) persons in sparsely populated areas where a harsh climate and an inadequate transportation system are significant impediments to receipt of legal services

have special difficulties of access to legal services or special legal problems which are not being met. The Corporation shall report to Congress not later than January 1, 1979, on the extent and nature of any such problems and difficulties and shall include in the report and implement appropriate recommendations.". Report to Congress.

AUDITS AND RECORDKEEPING

SEC. 14. Paragraph (2) of section 1009(b) of the Legal Services Corporation Act (42 U.S.C. 2996h(b)(2)) is amended by striking out the period at the end of the last sentence and inserting in lieu thereof "throughout the period beginning on the date such possession or custody commences and ending three years after such date, but the General Accounting Office may require the retention of such books, accounts, financial records, reports, files, papers, or property for a longer period under section 117(b) of the Accounting and Auditing Act of 1950 (31 U.S.C. 67(b)).".

FINANCING

SEC. 15. (a) Section 1010(a) of the Legal Services Corporation Act (42 U.S.C. 2996i(a)) is amended by inserting after the first sentence the following new sentence: "There are authorized to be appropriated for the purpose of carrying out the activities of the Corporation $205,000,000 for the fiscal year 1978, and such sums as may be necessary for each of the two succeeding fiscal years.". Appropriation authorization.

(b) The last sentence of section 1010(a) of the Legal Services Corporation Act (42 U.S.C. 2996i(a)) is amended to read as follows: "Appropriations for that purpose shall be made for not more than two fiscal years, and shall be paid to the Corporation in annual installments at the beginning of each fiscal year in such amounts as may be specified in Acts of Congress making appropriations.".

HEARING EXAMINERS

SEC. 16. Section 1011(2) of the Legal Services Corporation Act (42 U.S.C. 2996j(2)) is amended by inserting before the period at the end thereof a comma and "and, when requested, such hearing shall be conducted by an independent hearing examiner. Such hearing shall be held prior to any final decision by the Corporation to terminate financial assistance or suspend or deny funding. Hearing examiners shall be appointed by the Corporation in accordance with procedures established in regulations promulgated by the Corporation".

Appointment.

EFFECTIVE DATES

42 USC 2996f note.

SEC. 17. (a)(1) The amendment made by section 11 of this Act shall be effective six months after the first day of the first calendar month following the date of enactment of this Act.

42 USC 2996i note.

(2) The amendment made by section 15 of this Act shall be effective with respect to fiscal years beginning after September 30, 1977.

42 USC 2996 note.

(b) The amendments made by provisions of this Act other than sections 11 and 15 shall be effective on the date of enactment of this Act.

Approved December 28, 1977.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 95-310 (Comm. on the Judiciary) and 95-825 (Comm. of Conference).
SENATE REPORT No. 95-172 accompanying S. 1303 (Comm. on Human Resources).
CONGRESSIONAL RECORD, Vol. 123 (1977):
June 9, 27, considered and passed House.
Oct. 12, considered and passed Senate, amended, in lieu of S 1303.
Dec. 7, House agreed to conference report.
Dec. 15, Senate agreed to conference report.

Appendix C

LEGISLATION PENDING BEFORE THE SUBCOMMITTEE
WHICH WOULD AMEND THE ECONOMIC OPPORTUNITY ACT
S. 2090, S. 2081, S. 1919

95TH CONGRESS
1ST SESSION

S. 2090

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 14, 1977

Mr. NELSON (for himself, Mr. WILLIAMS, Mr. JAVITS, Mr. KENNEDY, Mr. CRANSTON, and Mr. RIEGLE) introduced the following bill; which was read twice and referred to the Committee on Human Resources

A BILL

To extend for three additional years the authorization of titles I, II, III, V, VI, VII, VIII, and IX of the Economic Opportunity Act of 1964, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Economic Opportunity Amendments of 1977".

STATEMENT OF PURPOSE

SEC. 2. It is the purpose of this Act to extend programs under titles I, II, III, V, VI, VII, VIII, and IX of the Economic Opportunity Act of 1964.

AUTHORIZATION OF APPROPRIATIONS

SEC. 3. (a) There are authorized to be appropriated for purposes of carrying out title I of the Economic Opportunity Act of 1964 (hereafter in this Act referred to as "the Act") such sums as may be necessary for fiscal years 1978 through 1981.

(b) Section 237 of the Act is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "six succeeding fiscal years".

(c) Section 245 of the Act is amended by striking out "eleven succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years".

(d) Section 321 of the Act is amended by striking out "eleven succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years".

(e) Section 615 of the Act is amended by striking out "eleven succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years".

(f) Section 703 of the Act is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "six succeeding fiscal years, to remain available until expended".

(g) There are authorized to be appropriated for purposes of carrying out title IX of the Act such sums as may be necessary for fiscal years 1978 through 1981.

(h) Section 512 of the Act is amended by inserting before the period in such section a comma and "and for fiscal years 1978 through 1981".

(i) Section 552 of the Act is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "four succeeding fiscal years".

(j) Section 814 of the Act is amended by inserting before the period in such section a comma and "and for fiscal years 1978 through 1981".

COMMUNITY ACTION BOARDS

SEC. 4. (a) Section 211 (b) of the Act is amended to read as follows:

"(b) Each board to which this subsection applies shall consist of not more than fifty-one and not less than fifteen members and shall be so constituted that (1) one-third of the members of the board are current elected public officials, or their representatives, except that if the number of current elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement, (2) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served, and (3) the remainder of the members are officials or members of

business, industry, labor, religious, welfare, education, or other major groups and interests in the community. Each member of the board selected to represent a specific geographic area within a community must reside in the area he represents. No person selected under clause (2) or (3) of this subsection as a member of a board shall serve on such board for more than three consecutive years, or more than a total of seven years.".

(b) (1) The third sentence of section 222(a)(11) of the Act is amended by inserting after "Mainstream programs" the following: "and programs under the Comprehensive Employment and Training Act of 1973".

(2) Section 222(a)(13) of the Act is amended to read as follows:

"(13) A program to be known as summer youth recreation designed to provide recreational opportunities for low-income children during the summer months. Funds made available for this section shall be allocated by the Director among community action agencies where feasible, or other public or private nonprofit agencies where no such community action agency exists or is able to administer a program to provide recreational opportunities for low-income children during the summer months.".

(c) The first sentence of section 225(c) of the Act is amended to read as follows: "Unless otherwise provided

in this part, financial assistance to a Community Action Agency or other agency pursuant to sections 221 and 222 (a) shall not exceed 80 per centum of approved costs of assisted programs.".

ADMINISTRATION

SEC. 5. (a) Section 601 (c) of the Act is amended to read as follows:

"(c) The Administration shall be an independent agency. The Director shall have the responsibility for carrying out titles I, II, III, VI, VII, and IX of this Act.".

(b) Section 602 (d) of the Act is amended by striking out "with the approval of the President,".

(c) (1) The first sentence of section 605 (c) of the Act is amended by inserting "and ending with the calendar year 1978" before the period at the end thereof.

(2) Section 605 (c) of the Act is amended by inserting at the end thereof the following new sentence: "The Advisory Council shall cease to exist sixty days after making the final annual report required by this subsection.".

(d) The second sentence of section 620 of the Act is repealed.

COMMUNITY ECONOMIC DEVELOPMENT

SEC. 6. (a) Section 714 (2) of the Act is amended to read as follows:

"(2) be made available to the grantee, in accord-

ance with current Department of the Treasury regulations and other conditions which the Director deems appropriate, within thirty days following approval of the grant agreement by the Director and such grantee of the grant agreement.".

(b) The first sentence of section 731(a) of the Act is amended by inserting after the words "under this title" the following: "and to Community Action Agencies and other community-based organizations eligible for financial assistance under title II of this Act,".

REPEALER

SEC. 7. The following provisions of the Act are repealed:

(1) Section 210(f).

(2) Section 222(a)(10).

(3) Section 226.

(4) Section 228.

(5) Section 236.

(6) Section 240.

(7) Subsections (e), (f), (g), and (h) of section 601.

(8) Section 745.

(9) Sections 581, 582, and 583.

SPECIAL PROGRAMS AND ASSISTANCE

SEC. 8. Section 222 (a) (12) of the Act is amended by striking out "winterization of old or substandard dwellings, improved space conditioning, and insulation;".

EFFECTIVE DATE

SEC. 9. (a) Sections 1 through 7 of this Act shall take effect upon the date of enactment of this Act.

(b) Section 8 of this Act shall take effect on October 1, 1978.

95TH CONGRESS
1ST SESSION

S. 2081

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 9 (legislative day, SEPTEMBER 8), 1977

Mr. CRANSTON introduced the following bill; which was read twice and referred to the Committee on Human Resources

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A BILL

To provide for the extension and expansion of the Headstart program.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Headstart Extension Act of 1977".

SEC. 2. Section 512 of the Economic Opportunity Act of 1964 (hereinafter referred to as "the Act") (42 U.S.C. 2928a) is amended by striking out the period at the end thereof and inserting the following: "and $650,000,000 for fiscal year 1978, $750,000,000 for fiscal year 1979, $850,000,000 for fiscal year 1980, and $1,000,000,000 for fiscal year 1981.".

25-371 O - 78 - 12

SEC. 3. Section 513 (a) of the Act (42 U.S.C. 2928b (a)) is amended by—

(a) striking out "The" and inserting in lieu thereof "Except as otherwise provided in this part, the"; and

(b) striking out "fiscal year 1975" and inserting in lieu thereof "fiscal year 1978".

SEC. 4. Section 514 (c) of the Act (42 U.S.C. 2928c (c)) is amended by adding at the end thereof the following new sentence: "The Secretary shall require that parents and area residents affected by the program be significantly involved in the selection of headstart agencies.".

SEC. 5. Section 515 (b) (1) of the Act (42 U.S.C. 2928d (b) (1)) is amended by inserting "directly participate in decisions that" after "to".

SEC. 6. Section 517 (b) of the Act (42 U.S.C. 2928 (b)) is amended by striking out "six" and inserting in lieu thereof "twelve" in the last sentence.

SEC. 7. (a) Section 523 (b) of the Act (42 U.S.C. 2928l (b)) is amended by—

(1) inserting "(1)" after "subsection (a)";

(2) striking out "subsection (b)" and inserting in lieu thereof "subsection (a) (2)"; and

(3) striking out "thirty" the second place it appears therein and inserting in lieu thereof "ninety".

(b) Section 523(c) of the Act (42 U.S.C. 2928l(c)) is amended by striking out "Director" and inserting in lieu thereof "Secretary".

(c) Section 523(d) of the Act (42 U.S.C. 2928l(d)) is amended by striking out "Director" and inserting in lieu thereof "Secretary" in both places it appears.

SEC. 8. Section 524(b) of the Act (42 U.S.C. 2928m(b)) is amended by amending the first sentence thereof to read as follows: "The Secretary shall operate the programs and projects covered by this part in accordance with Headstart performance standards established by him. Any revisions in such standards shall result in standards which are no less comprehensive than those in effect on the date of enactment of the Headstart Extension Act of 1977.".

95TH CONGRESS
1ST SESSION

S. 1919

IN THE SENATE OF THE UNITED STATES

JULY 25 (legislative day, JULY 19), 1977

Mr. GRAVEL introduced the following bill; which was read twice and referred to the Committee on Human Resources

A BILL

To amend the Headstart-Follow Through Act to provide more flexible criteria for participation in Headstart programs, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the second sentence of section 518(a) of the Economic Opportunity Act of 1964 is amended by striking out "Such" and inserting in lieu thereof "Except as provided in the last sentence of this subsection, such".

(b) Such section 518(a) is amended by adding at the end thereof the following new sentence: "Whenever a head-start program is operated in a community of 1,000 or less individuals and (1) there is no other preschool program

in the community; (2) there is no resident professional medical service provider in the community; (3) the community is in a location which, by reason of remoteness, does not permit reasonable access to services described in clauses (1) and (2); and (4) at least 50 percent or more of the families to be served in the community are eligible under income guidelines established by the Secretary, the head-start program in each such locality shall establish the criteria for eligibility.".

Appendix D

COMMUNICATION BETWEEN THE AGENCIES AND THE CONGRESS REGARDING LEGISLATION AND OVERSIGHT

21 JUL 1977

Honorable Walter F. Mondale
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

The Community Services Administration is one of this country's expressions of its commitment to the poor.

Now at this point in history, there is the force of political change -- change evidenced by a renewed commitment and dedication to the programs designed to mitigate the material manifestations of poverty in America.

This new dedication and commitment require a strong agency leadership, Congressional support and a new lifespan for the Community Services Administration to develop creative and effective directions for the "war on poverty."

It is for these reasons, and in the spirit of Congress' desire to reevaluate and rejustify programs conducted by the Federal government, that I recommend a three year extension for the Community Services Administration and the programs it administers under the Economic Opportunity Act of 1964.

This bill would also restore to the Director the option of delegating to regional officials the authority to approve grants or contracts or to set policy. Such a procedure may offer more substantive review of and control over grants and contracts, while at the same time providing for less movement of paper and greater exercise of the evaluation function at the national level.

This bill would also restore the funding formula for local initiative programs to the 80 per centum Federal and 20 per centum non-Federal share. This formula was strictly complied with from 1968 through 1975. An attempt to reduce the expression of commitment at the Federal level to our service delivery system to the poor, at a time when our economy has increased their needs, works at cross purposes to the original intent of the Act and the mission mandated for this agency.

This bill also includes technical, clarifying amendments to sections of the Act which have caused administrative problems or have never been implemented.

We are advised by the Office of Management and Budget that enactment of this draft bill would be in accord with the program of the President.

Sincerely,

151

Graciela (Grace) Olivarez
Director

21 JUL 1977

Honorable Thomas P. O'Neill, Jr.
Speaker of the House
of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

The Community Services Administration is one of this country's expressions of its commitment to the poor.

Now at this point in history, there is the force of political change -- change evidenced by a renewed commitment and dedication to the programs designed to mitigate the material manifestations of poverty in America.

This new dedication and commitment require a strong agency leadership, Congressional support and a new lifespan for the Community Services Administration to develop creative and effective directions for the "war on poverty."

It is for these reasons, and in the spirit of Congress' desire to reevaluate and rejustify programs conducted by the Federal government, that I recommend a three year extension for the Community Services Administration and the programs it administers under the Economic Opportunity Act of 1964.

This bill would also restore to the Director the option of delegating to regional officials the authority to approve grants or contracts or to set policy. Such a procedure may offer more substantive review of and control over grants and contracts, while at the same time providing for less movement of paper and greater exercise of the evaluation function at the national level.

This bill would also restore the funding formula for local initiative programs to the 80 per centum Federal and 20 per centum non-Federal share. This formula was strictly complied with from 1968 through 1975. An attempt to reduce the expression of commitment at the Federal level to our service delivery system to the poor, at a time when our economy has increased their needs, works at cross purposes to the original intent of the Act and the mission mandated for this agency.

This bill also includes technical, clarifying amendments to sections of the Act which have caused administrative problems or have never been implemented.

We are advised by the Office of Management and Budget that enactment of this draft bill would be in accord with the program of the President.

Sincerely,

Graciela (Grace) Olivarez
Director

DELLIOTT
mh: 8/31/77

D, CA

SEP

Honorable Walter F. Mondale
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

On July 21, 1977, I transmitted to the Congress a legislative proposal, referred to as the draft "Economic Opportunity Amendments of 1977.". I am now sending an amendment to that proposed legislation which I hope Congress will favorably consider.

During my July 21, 1977, testimony before the House Subcommittee on Economic Opportunity, I advised the Subcommittee that the Administration was reviewing the CSA and FEA Federal weatherization activities both of which provide funding to community action agencies. Numerous concerns have been expressed by community action agencies and agency field representatives regarding conflicting CSA and FEA regulations, reporting requirements, and the other problems which arise when there are two sources of funds awarded to the same grantee for the same purpose.

Since my testimony, the President has re-examined this problem and decided it did not make sense to run two weatherization programs administered by two different Federal agencies which have differing requirements. He recognizes and supports the achievements of community action agencies which initiated and implemented the weatherization effort. He also firmly believes that an on-going, national energy conservation program should logically be administered at the Federal level by the Department of Energy which will have substantial technical expertise in this area.

The consolidaton of the weatherization program under DOE--authorized at $200 million in 1979--will retain its focus on the poor and community action agencies will continue to receive the grant funds. My agency of course will assist DOE in seeing that weatherization services are delivered effectively and efficiently to the poor.

While it is obviously difficult for any Federal agency to "give up" one of its programs, I believe this consolidation represents the fulfillment of one of our agency's basic missions-the development of innovative ways to assist the poor. Community action agencies, on their own initiative and with CSA technical assistance and support, developed and tested the weatherization of homes for the poor. Our efforts have been well-recognized and proven successful and weatherization now has evolved into an established Federal program with broad national support.

I believe it should be noted that the President decided merely to eliminate from Section 222(a)(12) the phrase authorizing "winterization of old or substandard dwellings, improved space conditioning, and insulation." Numerous other experimental and emergency energy conservation activities which are authorized would remain in our Act and efforts are underway to test new concepts in these areas to reduce the energy costs of the poor.

Enclosed with this letter is an amendment to our proposed CSA reauthorization bill which would revise Section 222(a)(12) effective in Fiscal Year 1979 as we have recommended.

We are advised by the Office of Management and Budget that enactment of this amendment to our proposed "Economic Opportunity Amendments of 1977" would be in accord with the program of the President.

Sincerely,

/S/ *Graciela (Grace) Olivarez*

Graciela (Grace) Olivarez
Director

Enclosure

AN AMENDMENT

To amend the proposed "Economic Opportunity Amendments of 1977".

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Economic Opportunity Act of 1964, as amended, is hereby amended:

1. In Section 222(a)(12) in the second sentence by striking the phrase "winterization of old or substandard dwellings, improved space conditioning, and insulation;".

2. This provision shall take effect October 1, 1978.

CARDISS COLLINS, ILL., CHAIRWOMAN
FERNAND J. ST GERMAIN, R.I.
JOHN CONYERS, JR., MICH.
ANDREW MAGUIRE, N.J.
JOHN W. JENNETTE, JR., S.C.
MICHAEL T. BLOUIN, IOWA
PETER H. KOSTMAYER, PA.
THEODORE S. WEISS, N.Y.

ROBERT W. KASTEN, JR., WIS.
ROBERT S. WALKER, PA.
J. DANFORTH QUAYLE, IND.

225-6751

NINETY-FIFTH CONGRESS

Congress of the United States

House of Representatives

MANPOWER AND HOUSING SUBCOMMITTEE

OF THE

COMMITTEE ON GOVERNMENT OPERATIONS

RAYBURN HOUSE OFFICE BUILDING, ROOM B-349-A

WASHINGTON, D.C. 20515

November 2, 1977

Dr. Grace Olivarez
Director, Community Services
Administration
1200 - 19th Street, N. W.
Washington, D. C. 20506

Dear Dr. Olivarez:

We have reviewed your response to the Committee's report, "Major Reforms Needed in the Community Services Administration," H. Rept. 95-583 of August 5, 1977, and appreciate the thoroughness and general tenor of the response. There are, however, a number of issues that were not specifically addressed in your response, and we would like to know the agency's position on them. Further, we have some questions regarding personnel strengths.

One of our recommendations (2(g)) was that the Audit and Inspection Division chief should report to the Director, and that the Division should be significantly larger than the various elements previously charged with this responsibility. Your response states that this office will be merged with the General Counsel division, which does not provide for direct access to you, and that the new office "will receive substantial increases in staffing." Please provide the number of inspectors and auditors in CSA (a) at the time you were confirmed as Director; (b) at the time of the Committee's report; and (c) today.

Our report also called for more field representatives and for the establishment of training programs. Your response states that Regional Offices will conduct training and technical assistance for community action agency boards, executive directors, and selected staff members. Please advise us of when this training began, its general character, and how many people have received it. We would also appreciate knowing the increase in the number of field representatives as a result of your reorganization and when you

expect to reach full staffing in this regard.

In response to the Committee's recommendation that CSA follow the Comptroller General's audit standards, you said that the agency had initiated a pilot program which will permit evaluation of this approach. Please advise us of the status of this program and also any progress in developing the alternative of awarding grants to State Economic Opportunity Offices for contracting with auditing firms.

With regard to the economic development corporations that have previously been established with local initiative funds, your response indicates that continued funding of this activity is under review and that special conditions will be imposed on refunding until the review is completed. We would appreciate learning of your long-range plans regarding these corporations, particularly the need to have CSA monitoring of their business ventures.

There are a number of other issues in which we are interested that we believe can be explored by staff contacts. The points listed above are ones that we believe are the most critical in your plans to implement the recommendations in the Committee's report.

I would like to take this occasion to express to you once more my strong support for community action, and for the way in which your management team is moving to assure that anti-poverty dollars are spent effectively. As indicated in the most recent Committee report on CSA-supported anti-poverty associations, we stand strongly behind this approach.

Sincerely yours,

Cardiss Collins

CARDISS COLLINS
Chairwoman, Manpower and
Housing Subcommittee

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Honorable Cardiss Collins
Chairwoman
Manpower and Housing Subcommittee
Committee on Government Operations
House of Representatives
Washington, D.C. 20515

Dear Madam Chairwoman:

Thank you for the opportunity to make further comments on the Committee's report "Major Reforms Needed in the Community Services Administration," H. Rept. 95-583 of August 5, 1977.

In response to your letter dated November 2, 1977, I would like to make the following observations:

- The number of inspectors at the time of my confirmation, the Committee's report and today, was and is nine. However, five more inspector positions are being added under the reorganization: three to be advertised this month and two in January. At the time of my confirmation and the Committee's report, there were twenty-three auditors; because of a recent retirement, there are now twenty-two auditors.

- The Committee's report also recommended an increase in field representatives as well as the establishment of training programs. The CSA regional office reorganization plan includes, not only a twenty-two percent increase in field representatives (increased from 163 to 198) but also more supervisory staff, 14 percent increase (increased from 35 to 40), plus a 61 percent increase in technical and clerical support in the form of Community Action Program Assistants and Clerk Typists (increased from 42 to 68). This significant strengthening of the support element will accomplish two purposes: 1) It will free the field representative from excessive paperwork and office routine, thus permitting more time for direct contact with grantees, and 2) it will establish a career development opportunity for potential field representative candidates. Full staffing will occur soon after all applicable Federal personnel procedures are completed. Position descriptions are being rewritten, civil service commission requirements are being met, step-by-step, and management-union negotiations are now completed.

CONCURRENCES:						
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SIGNATURE ➤						
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CSA FORM 104 JUN 75 (FORMERLY OEO FORM 104, DATED JUL 72, WHICH MAY BE USED UNTIL EXHAUSTED.) CONCURRENCE SHEET (Official File Copy)

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° A full-fledged training program will be implemented when: 1) the increase in field representatives, along with supervisory and support staff takes place, and 2) the CSA regional staff itself is reoriented to the redefined assignment given to it.

° While the two actions are being carried out, CSA is doing the following:

a. A new Training and Technical Assistance Division is being developed under the Office of Regional Operations in CSA Headquarters.

b. Regional Directors are holding grantee meetings to inform board chairpersons and executive directors of new directions and responsibilities. Subsequent meetings will focus on skills needs assessments and regional inventories of existing training and technical assistance resources available. SEOOs will assist in this effort.

c. Past experiences in T&TA efforts are being reviewed so as to learn from both good and bad efforts. The results should be beneficial in not "re-inventing wheels" and not repeating mistakes. The general character of training will be one of less emphasis on national consultant contracting and more involvement of individuals and groups that have community credibility. Areas for T&TA will include outreach methods and techniques, management skills development in administration policy-making, as well as grass-roots advocacy planning.

° Concerning the Committee's recommendation that CSA follow the Comptroller General's audit standards, I responded that CSA had initiated a pilot program to assist the evaluation of this approach. The pilot program has not progressed beyond collecting and reviewing data required for selection of the most appropriate state for this experiment. The alternative of using an SEOO for audit contracting has not yet progressed to the point of selecting the SEOO contractor. In light of other priorities, these two alternatives may not be in place before the end of the fiscal year.

° In relation to the economic development corporations previously established with local initiative funds and the need to have CSA monitoring these corporate business ventures, my staff and I have completed a review of this subject. Enclosed please find a memorandum

prepared by the Assistant Director for Legal Affairs and addressed to our policy review board. The memorandum discusses the legality of providing Title II financial assistance in support of economic development activities as well as recommendations concerning appropriate measures to be followed in monitoring these activities.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

TST Graciela (Grace) Olivarez

Graciela (Grace) Olivarez
Director

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Honorable Cardiss Collins
Chairwoman
Government Operations Subcommittee
on Manpower and Housing
House of Representatives
Washington, D. C. 20515

Dear Madam Chairwoman:

I appreciate this opportunity to comment on the report issued by the House Committee on Government Operations entitled, "Operation of CSA-Supported Antipoverty Associations," H. Rept. 95-709.

A previous report issued by your Committee, concerning "Major Reforms Needed in the Community Services Administration," addressed the management problems of the associations and questioned their usefulness within the antipoverty community. (H. Rept. 95-583, Aug. 5, 1977.) That report recommended that CSA study closely these associations in order to assess the advisability of continued CSA support.

As acknowledged by the Committee in the report presently discussed concerning the associations, CSA initiated decisive measures to correct these problems even before the report was issued. On September 14, 1977, we informed all CSA directors and all chairmen of CAA boards of directors that CSA approval would not be forthcoming on the use of grant funds to support professional association activities until there was a change in the leadership of these associations and compliance with regulatory and audit safeguards. This was CSA's first step in insuring the fiscal and programmatic integrity of these organizations. CSA has continued its efforts to this effect as evidenced by new CSA rule and criteria derived in part from suggestions within the Committee's report regarding the associations.

• The first recommendation stems from the Committee findings concerning mismanagement within professional associations supported directly or indirectly by CSA, and the need to guarantee that these associations further the objectives of the Economic Opportunity Act (EOA). CSA has issued new reguations governing the use of CSA funds for membership dues and other CAA expenses relating to these associations. CSA has also revised travel regulations for grantees and delegate agencies. See Attachment A, 42 FR 63171 and 42 FR 59504 respectively.

The regulation concerning membership dues paid to professional associations establishes criteria for review and approval under which the CSA Administering Office will assure that grant funds are expended for purposes outlined in grants awarded under the EOA. See 42 FR 63171 S1068.30-3. Where warranted, acceptability of the organizations as recipients of dues from grant funds will be determined based on the findings of audits conducted by CSA or by a third party on CSA's behalf. These findings must indicate that the organization has an acceptable track record based on factors such as: federal access to records; administrative capability; fiscal integrity; clear recordkeeping, including travel expenditures; and democratic elections. An organization found to be unacceptable will be listed under Attachment A of the regulation. Consequently, CSA will disallow any expenditures of grant funds incurred in activities sponsored by that organization.

The Committee's report specifically addresses management problems within the National Association for Community Development (NACD) and the National Community Action Executive Director's Association (NCAAEDA). At present, NACD does not meet proper standards. Any expenditure of CSA funds by grantees for dues or other costs relating to NACD will be disallowed. This action was taken based on the Committee's findings and subsequent inaction on NACD's part to effect a change in leadership within the association. The NCAAEDA, on the other hand, has completed its reorganization satisfactorily. The new leadership elected by this association is committed to changes which will satisfy CSA criteria.

CSA travel regulations, as amended, further control travel. The current regulations eliminate the previous exception in the rule which allowed travel to meetings of professional associations without prior CSA approval. Limitations are imposed for travel outside the Federal Region limits; approval for out-of-region travel must be requested at the time of funding or refunding by itemizing these costs in the budget submission. In addition, review criteria have been established which are to be considered by the grantee official responsible for approving travel. These guidelines specifically provide that all travel requests elicit "a direct benefit to the achievement of an objective related to the agency's mission and the objectives of the Economic Opportunity Act." See 42 FR 59504, Section 1069.3-4 (c)(1)(i).

• Your second recommendation urged CSA to assure that professional organizations do not support lobbying organizations. The newly issued regulations give CSA the power to declare any professional organization, supporting or otherwise involved in improper lobbying activities, an unacceptable organization. This action would make all further grantee support of such organization an illegal expenditure of CSA awarded funds. In using this new authority, CSA will be guided by the lobbying restrictions currently applicable to all CSA grantees, set forth in OEO Instruction 6907-01. See Attachment B.

• Recommendation three stressed the need for CSA to examine the structure and operation of the National Center for Community Action (NCCA). On September 30, 1977, a contract was issued for an evaluation of the National Center for Community Action. The contractor, BLK Group, Inc., expects to complete the evaluation in January, 1978. The study is designed under the technical approach methodology. All components of the NCCA are being evaluated to determine:

-- the quantity of services provided by NCCA.

-- the impact of such services on CSA grantees.

-- the cost effectiveness of the various service units provided by NCCA.

-- alternative methods for providing such services, those in use by other Federal agencies.

-- NCCA's progress toward its five-year goal of financial independence, including an analysis of the economic feasibility of the grantees' future plan and a report on the projections and performance of past plans.

-- a description of the formal and informal relationships between NCCA and the various grantee associations, including the extent and amount of NCCA resources utilized by the associations.

I will be happy to inform the Committee about the evaluation results as soon as they are available.

In addition, CSA has placed a clearly stated special condition on the NCCA grant. Essentially, the special condition emphasizes adherance to the restrictions concerning lobbying activities, travel and membership dues paid to professional organizations. Non-compliance would result in immediate suspension of funding and termination of the evaluative process.

Once again, I thank you for the opportunity to apprise the Committee of measures taken by CSA concerning the antipoverty professional associations since the issuance of your report. If I can provide further information please do not hesitate to contact me.

Sincerely,

Graciela (Grace) Olivarez
Director

COPY

Community Services Administration
WASHINGTON, D.C. 20506

SEP 20 1977

Honorable Cardiss Collins
Chairwoman
Government Operations Subcommittee
on Manpower and Housing
House of Representatives
Washington, D.C. 20515

Dear Madam Chairwoman:

I appreciate the opportunity to comment on the recently issued House Government Operations Committee's Report "Major Reforms Needed in the Community Services Administration."

Since assuming the duties as Director of the Community Services Administration (CSA) on April 29, 1977, I have been carefully reviewing and assessing the agency's renewed commitment to the Nation's poor and their needs in the late 1970s and 1980s. Ours is a mission unique in the Federal government, intricately interwoven with the patchwork array of public, private, Federal, state and local attempts to deal with poverty. I strongly believe effective, committed leadership and direction are pre-requisites to achieving the goals of alleviating poverty.

Reviewing the operations of the agency, and its proper role at this challenging time in our history has been a constructive and edifying experience. As the Committee is no doubt aware, this process began early in the Carter Administration when a team from the White House was asked to undertake a review of CSA for the President. The initial assesments and recommendations of this team provided me, and the new management team I assembled, with a good overview of the agency and the framework for a more extensive and comprehensive look at its strengths and weaknesses.

Hand in hand with this assessment went a policy evaluation of the needs of the poverty community and this Nation in addressing the problems poverty currently presents. Both of these assessments are continuing components of my administration and both have already made important contributions to our initial directions and decisions for improving CSA's day-to-day effectiveness, as well as its overall impact in the poverty community.

I found the committee's Report and Recommendations consistent with much of my own brief experience and with many of the steps already underway to correct management deficiencies and increase CSA's credibility and efficacy at the Federal, State and local levels.

Your first recommendation stressed improved management within the agency, implementation of the pending reorganization and higher standards of performance.

When I took office, I discovered that a proposed Organization Chart, dated July 1976, had been approved by the Office of Management and Budget, as was required by the CSA Act of 1974. After review of the structure, it was determined that further clarification was necessary to reflect, from a management standpoint, the priorities of the new Administration.

I ordered an immediate evaluation and review of the existing structure and functions of the Agency, separated into two components:

1. Headquarters functions

2. Regional Office Functions

In order to review these matters, a detailed assessment process was begun which included evaluations through personal interviews with every employee in the Regional Offices and most Headquarters Offices. As a result, beginning on July 29, 1977, a new series of Agency instructions began to be issued, setting forth the new Headquarters realignments in terms of structure and function. (See Attachment A). This included the detailed, new organization charts which are included in Attachment B. As a result, the reorganization of the Headquarters is in place structurally. A detailed reorganization plan for the Regional Offices will be submitted to the Committee no later than October 20, 1977.

The second major component of any reorganization is insuring that the individuals are working in jobs that need to be done and performing those jobs in an efficient and acceptable manner. To that end, the Agency has requested, on a high priority basis, special authority from the Civil Service Commission which will allow us to address that problem in a timely fashion. (See Attachment C).

It is anticipated that this authority will be forthcoming shortly. If it is, we will be able to move the requisite personnel in a sequential fashion office by office, thus providing the greatest flexibility in those areas which are in the highest priority, i.e., Office of Community Action, Audit and Inspection, etc.

It was clear that the procedures in place to evaluate Agency personnel had suffered from maladministration and disuse. Therefore, a task force of key agency officials was established and ordered to produce a new set of procedures addressing the question of performance evaluation and supervisory accountability. Since that time, the Agency has instituted new supervisory training programs, which are of a continuing nature, and is presently refining the draft proposals for performance evaluation as well as requesting additional technical assistance from Personnel Specialists with the Civil Service Commission. We anticipate that we will be prepared to enter into negotiations with our Union on these questions by the latter part of October.

As a continuing part of our effort, we also are instituting a new series of training programs for our key employees, especially the field representatives in the agency. The Office of Community Action, in coordination with our Training Office, has already begun designing and developing a new training program for Field Representatives to insure that they are well-equipped to do the job in the correct manner. We anticipate the initiation of the first training sessions by the early part of November, 1977.

Similar training programs for our supervisors, in the area of Labor-Management Relations, have already been developed and will be conducted by the Civil Service Commission in conjunction with our staff. This training contract has already been agreed upon and will begin on October 12-14, 1977. It is a clear commitment on the part of this Administration that we will develop and insist upon the highest standards of performance from our employees; the above-mentioned specifics are but the first step in these efforts.

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Recommendation one also strongly urged a high priority on our monitoring, review and evaluation efforts with respect to the functioning of programs the agency administers.

Several initiatives are underway to implement this recommendation. During FY '78, there will be several major evaluations of CSA's national emphasis programs, notably, Community Food and Nutrition, Rural Housing Repairs, and State Economic Opportunity Offices. There will be research into the effect of the Crisis Intervention Program, plus an impact evaluation of the Energy Conservation Program and the Community Economic Development Program. Efforts are also underway to develop standard procedures and instruments for the evaluation of grantees on a one-to-one basis. A guidance manual on how to meet the CSA standards of program effectiveness has been published and sent to all grantees. (Attachment E). A revised policy instruction on grantee self-evaluation and reporting for CAAs and LPAs is now in effect. (Attachment F).

The Office of Community Action and the Office of Policy Planning and Evaluation will work together so that all CAAs will be the subject of a Type III evaluation at least once every three years. One million dollars will be set aside each year for the project, which begins in FY 1978.

Your second recommendation went to the heart of the administrative responsiblity of the agency in overseeing its grantees and insuring the effective expenditure of Federal funds through increased technical assistance, sufficient field staff for monitoring and review, increased quality control of audits, and increased, and better coordinated, audit and inspection functions.

Regional Office personnel will provide a regular program of training for grantees. CSA auditors will do a Training and Technical Assistance (T &T/A) session for auditors who serve CAAs. CSA regional offices will also conduct T & T/A for CAA boards, Executive Directors and selected staff members. These sessions will stress the responsiblities and duties these individuals have and various management models that have been successful in the past. There will also be training sessions conducted by the Regional Offices in property management, personnel management and accounting systems. The effort will extend throughout FY 1978.

The Community Services Administration is conducting an extensive study of its Regional Offices. Systems and processes will begin to be reorganized by October 1, 1977. The new system will reduce

the clerical work imposed on field representatives so that they can spend more time in the field with grantees. These changes will be implemented in the first quarter of FY 1978.

The report on Regional Offices due on October 1, 1977, will outline a new and concise system for grant processing and compliance review. There will be clear assignments of responsiblity for reviewing documents at every step of the process. This system will also be implemented during the first quarter of FY 1978.

In conjunction with the requirements of OMB Circular A-110, "Uniform Administrative Requirements," CSA has implemented revised self-evaluation and reporting procedures which will (a) simplify the way information is reported (b) tie reported information to the grantee's program goals and the CSA standards of effectiveness and (c) schedule program reporting to coincide with financial reporting. These steps should make program progress reporting more useful and timely for both the grantee and the CSA Regional Offices. Finally, CSA Regional Offices will be required to review grantee program progress reports as part of the process of certifying that they are meeting the CSA standards of effectiveness and are therefore eligible for refunding.

Prior to the issuance of the Committee's Report, CSA had already placed a high priority on its monitoring efforts by reorganizing the formerly separate Inspection, Audit, Human Rights, and General Counsel Division into one office to serve as the enforcement arm of the Agency. This office, the Office of Legal Affairs and General Counsel is now headed by a Presidentially appointed Assistant Director who has been delegated the responsibility for insuring that CSA law and regulations are religiously followed by CSA employees and grantees. The new office will receive substantial increases in staffing in order to carry out its new mandate.

Among the changes already accomplished or currently underway with the assistance of the new Office of Legal Affairs are the more flexible use of partial non-refunding or suspension of funds rather than limiting CSA to the single option of writing off all funding, which is so severe a measure that it was at times in the past used as an excuse for doing nothing. Access to all appropriate bank accounts, both CSA and private, will be assured by either regulation or grant conditions. Where an illegal expenditure of CSA funds by a grantee results in certain individuals illegally receiving such funds, they will be recovered by means of civil

lawsuits initiated by the agency against the individuals, rather than by merely disallowing grantee expenditures. Legislative changes have been suggested and adopted by the Administration which will clarify CSA's legislative authority over the control of funds awarded for economic development corporations. Title II funding of economic development is being brought under control. Conflict of Interest regulations are being strengthened. New, more responsible travel regulations and membership dues regulations have been published. The regulations regarding payroll deductions for political activities have been formally reinterpreted and published.

The External Audit Division will substantially increase its review of grantee audit work papers, reviewing on a random basis the work of at least 10 percent of the 1,450 independent grantee auditors.

Each of the 1,750 audit reports received by the External Audit Division is reviewed under current practices; also a hundred or more audits are performed directly by the staff of External Audit. Recommendations and requests based on these reviews are in each case forwarded to the responsible CSA program official for action. The new Office of Legal Affairs is now responsible for insuring a proper response to these recommendations and is establishing a systematic process for pinpointing responsibility and establishing deadlines for response and action.

The entire process of disallowing grantee costs questioned by auditors is under review by the Office of Legal Affairs with the goal of shortening the time between a cost being questioned and the agency making a binding determination.

CSA concurs in the recommendation that special attention should be paid to travel and consultant costs. This will be done by requiring the submission of a budget showing more detailed proposed expenses in seven or more cost categories, by reducing the percentage of allowable transfers of funds between cost categories, by requiring that audit reports match actual costs incurred with budgeted amounts so that any discrepancies will be highlighted, and by greatly restricting retroactive approval of costs incurred in cases where prior CSA approval is required.

In order to further tighten the allowance of questioned costs, External Audit Division will be charged with the responsibility of reviewing on a quarterly basis a statistical sampling of the actions taken by program officials to allow questioned costs.

Regional Directors and Program Office Heads will also be required to take concerted action to clear CSA's records of unresolved costs, especially those outstanding for years prior to FY 1977. The Director's office will provide specific guidance to all Regional and Headquarters Office Heads to accomplish this task.

If a grantee has not submitted an acceptable audit report for the latest full program year prior to the refunding action, agency policy will be to deny refunding until the required audit is submitted. Exceptions to this policy will be very rare and will require strong justification from the grantee.

The Committee's Report has recommended that CSA directly contract with CPAs to audit grantees rather than permit grantees to choose and pay for their own auditors. There are decided advantages to direct contracting, particularly the removal of any possible obstacle to the auditor's independence. Yet, direct contracting is no guarantee that the auditor will perform in an unbiased, objective manner. Random quality reviews by CSA of CPAs work would still be necessary.

The chief disadvantage to the direct contract approach is its high cost. To establish a CSA contracting capacity sufficient to obtain more than 1450 audits yearly would require a large increase in CSA personnel and other expenditures which would not be offset by the savings to the grantees. Compliance with Federal procurement regulations and Small Business set-aside requirements is technical and costly.

To gain sufficient experience with the advantages and the costs of direct contracting, CSA will initiate a pilot program in a defined geographic area in which we will attempt to contract directly with CPA firms to audit the grantees in that area and will evaluate this approach to determine its feasiblity on a broader scale. In the meantime our expanded program of quality assurance should provide an adequate indicator as to the sufficiency of CSA audits.

We are also reviewing an alternative procedure of awarding a grant to a State Economic Opportunity Office or other state-wide grantee to handle the administrative burden of contracting with CPA firms with the advice and approval of our Regional Auditors.

In order to insure against a recurrence of the agency practice of ignoring requests for inspection or failing to act on information revealed by Inspection or Audit reports, a new formal system has been adopted by the Office of Legal Affairs. In order to pinpoint responsibility for action, all inspection requests or allegations which would call for investigation are now forwarded in writing to the Office of Legal Affairs. The General Counsel has the sole authority and therefore the responsibility for ordering or denying an Inspection Divison investigation. Regional Counsels have been informed that Regional Offices are to forward, in all cases, any informaton or allegations which might call for a decision to officially investigate. A written record is now kept of all requests, approvals, denials, reports and actions taken. Findings based upon inspection reports are made by General Counsel and forwarded to the responsible program office with a directive that a written response, detailing the action taken by the program office, be forwarded to General Counsel within 14 days. The Inspection file is not considered closed until the General Counsel has concurred in the action taken by the program office and has personally closed the file. The authority for this new system is contained in CSA Instruction 1500-1. (Attachment G).

While not yet completed, a uniform operating process is being developed for Audit Division findings which will afford the same assurances of responsible action and pinpointed responsibility that are now in operation for the Inspection Division.

The Committee's second recommendation also addressed the Committee's concern with the administration of Title VII grants for economic development.

A number of effective controls over Title VII economic development programs are available under current law and regulations but in the past were not always used. Under the new Administration, existing control mechanisms are readily used as needed. For example, when one grantee obtained funds from the Department of Treasury far in excess of that allowed by CSA or Treasury regulations, the grantee was forced under threat of suspension to repay the sums thus obtained. And when a second grantee denied CSA access to certain bank accounts, which it claimed were private, the grantee relented when faced with a similar notice of intended suspension. While effective controls do exist, they are being reviewed and added to as needed. For example, certain conflict of interest provisions are being made applicable to non-profit organizations exempt under past interpretations.

The controls over economic development activity carried out with local initiative funding under Title II are not completely effective, and the Office of Legal Affairs together with the appropriate program offices, is reviewing the legal and policy implications of continued funding of Title II economic development activity. Until the review is completed, special conditions are being imposed on the refunding of CAA's who proposed to continue economic development with local initiative funds. These conditions will provide adequate controls until new regulations and policy are in place.

Limited forms of economic development activity under local initiative funding are not only legal but in certain cases desirable. Effective control mechanisms are possible and will be imposed. However, major economic development involving the use of venture capital in impact areas will not continue to be funded with local initiative or other Title II funds. Such activity will be assisted only with Title VII funds, subject to Title VII strictures.

A major policy research study has just been completed which analyzes the structure of the Community Economic Development Program and presents to CSA a set of alternative formal program designs. These design alternatives will become the basis for a statement of policy on the nature and characteristics of the program. Currently, a sample of Community Development Corporations is being assessed on a plan-versus-performance basis. Among other things, this study will yield the design parameters for an impact evaluation of the program to be initated in FY '78.

CSA agrees that monitoring, review and evaluation efforts are also high priority items for Title VII grantees. To this end, action has been taken to establish the necessary data base, develop a functional MIS and begin the quality as well as quantity ranking of CDCs.

CSA's Office of Economic Ddevelopment (OED) has initiated the development of program assistance and monitoring standards. An especially difficult task is the presentation of the information required to demonstrate the impact of the OED Program beyond "business ventures." Capacity building, infrastructure development, impact on planning and institution building are also key elements.

Impact evaluation, incorporating analytical, quality based measurement of all of the programs assets and liabilities will be initiated in FY '78 and continue through FY '79. In the interim, viable and competency based ranking criteria will be developed and applied to all program elements.

It is apparent that some grantees and internal OED units have been operating without proper standards and/or review criteria. The standards of performance for staff and program audits are being set and maintained. Because poor practices have been allowed to develop over a period of three (3) to five (5) years, some grantees, who are being disciplined and required to correct their problems are having difficulty in accepting the actions being taken. The OED reports endorsement and support for its actions from most grantees.

Specific actions being taken to date include:

1. The Auditing Reports and Monitoring Reports submitted to the OED are being reviewed for sufficiency and compliance with standards of sound program and fiscal control. Particular attention is given to the grantees ability to submit audited financial statements, meet reporting deadlines and submit consistent data. A grantee which had a three (3) year history of open audits, inability to meet non-Federal share, no satisfactory response to disallowed costs, an improperly constituted board and an ineffective staff was terminated.

2. The tracking and collection of performance data in program areas is being finalized. From this effort, an effective data base will be generated and an MIS put in place. This will be finished in FY '78.

3. Financial audits which reflect performance and the asset/liability structure of each grantee are being developed.

4. The implementation of an OED operated Management and Technical Assistance Program is being finalized. CSA will no longer endorse the random and often ineffective use of consultant services for its own staff or grantees. The utilization of management as well as financial accounting standards will be sine qua non in the OED program.

The OED program will not reflect significant expansion in FY '78. Instead emphasis will be placed on:

1. Maintenance and development of at least the current number of grantees.

2. Implementation of the Rural Program.

3. Implementation of the Monitoring and Technical Assistance Program.

4. Improving staff performance.

The third recommendation urges increased CSA support for regional offices with respect to proper staffing and annual review. As mentioned earlier, the Office of Community Action has already sent a management team to each regional office preparatory to submission of a comprehensive regional reorganization plan on October 1, 1977. This plan will include systems to be implemented and standards of effectiveness for each regional office.

The new Office of Regional Operations within Headquarters will be strengthened by the addition of a management information system, expanded budget unit and regional desk system. This will enable Headquarters to continuously monitor the performance of Regional Offices.

CSA agrees with the recommendations, contained in the Committee's fourth recommendation, regarding CSA support of professional association membership and activities and has already published new regulations in this area.

These regulations will prohibit the use of CSA funds to pay for any membership dues or organizational fees without specific prior CSA approval. CSA now has controls preventing its funds from going to organizations which are inappropriate or which refuse to meet certain audit, inspection and performance standards. CSA is in the process of drafting, and by November 5th will have completed, the standards required for CSA approval of various organizations. For those professional organizations, such as the National Association for Community Development (NACD), which are primarily supported through CSA funding of NACD membership dues, CSA approval will depend upon complete access to records, and submission to CSA audit controls, and to appropriate CSA travel, consulting, reporting and other regulations. For those professional organizations, such as the National League of Cities, which receive only minimum support through CSA funded membership dues, approval will only be dependent upon programmatic relevance.

The use of CSA funds to travel to organizational functions across the country will be controlled by a recently published regulation which requires prior CSA approval for such travel. Again, by November 5th, the standards under which CSA will approve out-of-state travel by grantee employees and the number of employees for which travel will be approved will have been defined and in operation.

The Committee's fifth recommendation, urging CSA to assume its role as the government agency designated to represent the poor, is, for me, of extreme importance. I accepted the responsibilites and the challenges the President offered me with this appointment with the full understanding and conviction that this agency's primary role was that of advocate for the poor and that role had to be reactivated at all levels for us to resume effectively waging the war on poverty.

One very important factor in resuming our role as advocate has been our establishment of the new Office of Interagency and External Affairs whose mission is to effectively mobilize the human and financial resources of the Nation to combat the problems of poverty. This office's goals are advocacy, resource mobilization and institutional change and all of its activity will be directed to the attainment of these goals.

Specific activites include:

-- Developing and recommending plans and programs to coordinate and influence the activities and resources of Federal, state and local government and the private sector in combating poverty;

-- Strengthening existing relationships and new initiatives between and among all levels of government and the private sector concerning anti-poverty activities;

-- Assisting in the development of agency policies and programs as these affect other Federal agencies, state and local governments and the private sector and relationships between these and agency offices and grantees; and

-- Coordination of agency participation in activities regarding Federal coordinating councils and the Undersecretaries' Working Group.

In the past, CSA's efforts to work with other Federal agencies and the private and public sectors have been hindered by the lack of emphasis and focus on building working relationships with these groups by the leadership of the Agency.

CSA realizes that it does not have all the resources necessary to meet the needs of the poor and that without the cooperation of and resources of other agencies, these needs will not be met. In addition, the lack of coordination and cooperation will result in duplication of effort and program activity. As one example of this cooperation I attach a list of the interagency agreements currently being developed at CSA. (Attachment H).

CSA will work to strengthen advocates at other levels, such as SEOOs because, without these advocates, the CSA can not fulfill its mandate. One of the first steps in insuring "that these offices are functioning effectively is an assessment of current SEOO activity. CSA will also provide for the measurement and evaluation of the impact of all programs authorized by the Economic Opportunity Act of 1964, as amended, and of poverty-related programs authorized by other Acts to determine their effectiveness in achieving stated goals, impact on related programs and the structure and mechanism for delivery of services.

Following the assessment of their activities, the CSA will review CSA policy on the role of the SEOOs and develop new policies or revise existing policies that will assist SEOOs in defining their roles and carrying out this mission.

Regional Offices and CSA Headquarters work closely with SEOOs to correct deficiencies in grantee performance. There has not been an overall national assessment of SEOO effectiveness in meeting their legislative objectives due to a shortage of staff and the lack of evalation capability. The on-going evaluation process utilized in place of a more "formal" process includes evaluation of the following:

1) Self-evaluations, utilizing program progress reports which measure activities against goals and objectives as set forth in an approved work program;

2) On-site monitoring visits by Regional field staff;

3) Informal on-site team assessments of grantee performance;

4) Review of financial and auditing reports, and

5) Joint Regional/SEOO quarterly meetings to discuss problems, and exchange information.

The management information system developed at Headquarters will provide a comprehensive assessment of the needs of the nation's poor. It will utilize and track information gathered from all CAAs and their delegate agencies. CSA will make this information available to other Federal agencies and Congress to continue its role as advocate for the poor. We hope to have this system operational by the second quarter of FY 1978.

CSA is funding a number of innovative demonstration programs with a strong research and evalutaion component to measure not only success rates but the potential for spinoff and replication on a larger scale following the period of demonstration.

As President Carter has stated, CSA should be the national laboratory for poverty related research and demonstrations.

Among the program demonstrations with potential for replication or spinoff to another Federal agency are the National Demonstration Water Project, the Menninger Foundation Group Homes Project and the Elderly Victimization Prevention and Assistance Program.

There are other demonstrations in the areas of rural housing, health, education and economic development. New demonstration initiatives either being considered or recently begun include energy conservation for low-income district schools, a statewide computerized information and referral system (in Michigan), and assistance to organizations dealing with undocumented workers ("illegal aliens"). CSA's broad mandate to assist the nation's poor permits it not only to undertake specific program demonstrations but to examine how different types of programs relate to each other in making up a total support system for the poor.

In closing I would like to say these are only some of the new directions underway at CSA. We look to you in Congress to assist and guide us in our efforts.

As you know, we have proposed legislative changes pending before both houses of Congress at this time; changes, I believe, will strengthen our efforts to revitalize, reorganize and redirect the agency. A copy of the proposed legislation I transmitted to the Congress on July 21, 1977 is attached. (Attachment I).

Again, allow me to express my appreciation for the opportunity to bring the Committee up to date on our activities at CSA since the release of your report.

If I can provide further information, or clarification on any of the activities set out above, please do not hesitate to contact me.

Sincerely,

/S/ Graciela (Grace) Olivarez

Graciela (Grace) Olivarez
Director

95th Congress
1st Session

A BILL

To extend for three additional years the authorization of Titles I, II, III-B, VI, VII and IX contained in the Economic Opportunity Act of 1964, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that this Act may be cited as the "Economic Opportunity Amendments of 1977.".

Statement of Purpose

Sec. 2. It is the purpose of this Act to extend programs under Titles I, II, III-B, VI, VII and IX of the Economic Opportunity Act of 1964, as amended.

Authorization of Appropriations

Sec. 3. (a) Section 237 of the Economic Opportunity Act of 1964, as amended, is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "six succeeding fiscal years".

(b) Section 245 of such Act is amended by striking out "eleven succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years."

(c) Section 321 of such Act is amended by striking out "eleven succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years."

(d) Section 615 of such Act is amended by striking out "eleven succeeding fiscal years" and inserting in lieu thereof "fourteen succeeding fiscal years."

(e) Section 703 of such Act is amended by striking out "two succeeding fiscal years" and inserting in lieu thereof "six succeeding fiscal years, to remain available until expended."

Sec. 4. Section 15 of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 is amended to read "For purposes of carrying out Titles I, II, III-B, VI, VII and IX of the Economic Opportunity Act of 1964, as amended, there are authorized to be appropriated such sums as may be necessary for the period ending September 30, 1979 and each of the two succeeding fiscal years.".

Sec. 5. (a) Section 211 of the Economic Opportunity Act of 1964, as amended, is amended in subsection (b) thereof to read: "Each board to which this subsection applies shall consist of not more than fifty one and not less than fifteen members and shall be so constituted that (1) one third of the members of the board are current elected public officials, or their representatives, except that if the number of current elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement, (2) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served, and (3) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community. Each member of the board selected to represent a specific geographic area within a community must reside in the area he represents. No person selected under clause (2) or (3) of this subsection as a member of a board shall serve on such board for more than three consecutive years, or more than a total of seven years."

(b) Section 222(a) of the Economic Opportunity Act of 1964, as amended, is amended --

(1) In Subsection (11) thereof in the third sentence by inserting after the words "Mainstream programs", "and programs under the Comprehensive Employment and training Act of 1973".

(2) Subsection (13) thereof is amended to read: "A program to be known as "Summer Youth Recreation" designed to provide recreational opportunities for low-income children during the summer months. Funds made available for this section shall be allocated by the Director among community action agencies where feasible, or other public or private non-profit agencies where no such community action agency

exists or is able to administer a program to provide recreational opportunities for low-income children during the summer months."

(c) Section 225 of the Economic Opportunity Act of 1964, as amended, is amended in subsection (c) thereof by substituting for the first sentence "Unless otherwise provided in this part, financial assistance to a Community Action Agency or other agency pursuant to Section 221 and 222(a) shall not exceed 80 per centum of approved costs of assisted programs."

Administration

Sec. 6. (a) Section 601(c) of the Economic Opportunity Act of 1964, as amended, is amended to read: "The Administration shall be an independent agency. The Director shall have the responsibility for carrying out Titles I, II, III-B, VI, VII and IX of this Act.". The remainder of this Subsection is stricken.

(b) Section 602(d) of the Economic Opportunity Act of 1964, as amended, is amended by striking out, the words "with the approval of the President,".

(c) (1) The first sentence of section 605(c) of the Economic Opportunity Act of 1964, as amended, is amended by inserting "and ending with the calendar year 1978" before the period at the end thereof.

(2) A new sentence is added at the end of the second sentence: "The Advisory Council shall cease to exist 60 days after making the final annual report required by this subsection."

(d) Section 620 of the Economic Opportunity Act of 1964 as amended is amended by striking "The Director and such other agency heads shall submit at least annually to the Congress a joint or combined report describing the actions taken and the progress made under this section."

Community Economic Development

Sec. 7. (a) Section 714 (2) of the Economic Opportunity Act of 1964, as amended, is amended to read: "be made available to the grantee, in accordance with current Department of the Treasury regulations and other conditions which the Director deems appropriate, within thirty days following approval of the grant agreement by the Director and such grantee of the grant agreement."

(b) Section 731(a) of the Economic Opportunity Act of 1964, as amended, is amended in the first sentence after the words "under this title" by inserting "and to Community Action Agencies and other community-based organizations eligible for financial assistance under Title II of this Act,"

Repealer

Sec. 8. The following provisions of the Economic Opportunity Act of 1964, as amended, are repealed:

(1) Section 210(f)

(2) Section 222(a)(10)

(3) Section 226

(4) Section 228

(5) Section 236

(6) Section 240

(7) Section 601(e)(f)(g)(h)

(8) Section 745

Effective Date

Sec. 9. This Act shall become effective upon enactment.

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Sec. 3 (a) (b) (c) (d)

The new language would extend the authorization for programs under the Economic Opportunity Act in Titles I, II, III-B, VI, VII and IX for a period of three years. The recent history of this agency has been characterized by an atmosphere of uncertainty regarding the future of the Community Services Administration which has made long-range planning virtually impossible. If the agency is forced to exist from year to year with no guarantee of continuity, the important business of renewed commitment to the poor and their problems, with an emphasis on future planning and development, is lost.

Rational management practices argue for a period of three years, which will allow not only initial reorganization but time in which to implement it. Three years will also allow implementation and evaluation of new program direction and initiatives.

Three years would provide the President and the Congress ample opportunity to evaluate a viable CSA role in any government-wide reorganization.

It is for these reasons, and in the spirit of Congress' desire to reevaluate, and have rejustified, programs conducted by the Federal government that we recommend a three year reauthorization for CSA.

Current Language

"Section 237. There is also authorized to be appropriated not to exceed $50,000 to carry out section 235 during fiscal year 1975, and such sums as may be necessary during each of the two succeeding fiscal years, except that in no event may more than 12 1/2 per centum of such additional amounts be used in any one State."

Proposed Change

"Section 237. There is also authorized to be appropriated not to exceed $50,000 to carry out section 235 during fiscal year 1975, and such sums as may be necessary during each of the six succeeding fiscal years, except that in no event may more than 12 1/2 per centum of such additional amounts be used in any one State."

* * *

Current Language

"Sec. 245. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the eleven succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law."

Proposed Change

"Sec. 245. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the fourteen succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law."

* * *

Current Language

"Sec. 321. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the eleven succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law."

Proposed Change

"Sec. 321. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the fourteen succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law."

Current Language

"Sec. 615. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the eleven succeeding fiscal years. For each such fiscal year only such sums may be appropriated as the Congress may authorize by law."

Proposed Change

"Sec. 615. The Director shall carry out the programs provided for in this title during the fiscal year ending June 30, 1967, and the fourteen succeeding fiscal years. For each such year only such sums may be appropriated as the Congress may authorize by law."

Sec. 3.(e)

Current Language

"Sec. 703. For the purpose of carrying out this title, there are authorized to be appropriated $39,000,000 and such additional sums as may be necessary for fiscal year 1975, and such sums as may be necessary for each of the two succeeding fiscal years."

Proposed Change

"Sec. 703. For the purpose of carrying out this title there are authorized to be appropriated $39,000,000 and such additional sums as may be necessary for each of the six succeeding fiscal years, to remain available until expended."

Title VII grantees are presently funded on a two-year basis: In order to provide the Agency sufficient flexibility in program redirection, "no-year" funding authority is needed. "No year" authority will permit the Agency to fund Title VII grantees on evaluable past performance basis. The change recognizes the developmental nature of Title VII programs and is authority similar to that existing for the Economic Development Administration, Department of Commerce. The Agency has previously resorted to devices of forward funding in order to avoid return to Treasury of unobligated program funds. These practices have invited abuse and precluded the funding of Title VII grantees on a performance basis.

Sec. 4

Current Language

"Headstart, Economic Opportunity, and Community Partnership Act of 1974

"Sec. 15.

"(a)(1) For the purpose of carrying out title I, title II, title III, title IV, title V, title VI, title VII, title VII, and title IX of the Economic Opportunity Act of 1964, there are authorized to be appropriated such sums as may be necessary for each of the fiscal years 1975 through 1977.

"(2) For the purpose of carrying out the programs authorized under section 221 there is authorized to be appropriated $330,000,000 for the fiscal year 1975 and such sums as may be necessary for each of the two succeeding fiscal years.

"(b) Unless the Congress has passed or formally rejected legislation extending the authorizations or appropriations for carrying out any title of the Economic Opportunity Act of 1964 specified in subsection (a) of this section, or adopts a concurrent resolution providing that the provisions of this subsection shall not apply, the authorizations of appropriations specified in subsection (a) are hereby automatically extended for one additional fiscal year beyond the terminal year specified in the Economic Opportunity Act of 1964 or in this section."

Proposed Change

"For purposes of carrying out Titles I, II, III-B, VI, VII, and IX of the Economic Opportunity Act of 1964, as amended, there are authorized to be appropriated such sums as may be necessary for the for the period ending September 30, 1979 and each of the two succeeding Fiscal years".

No authorizing levels for appropriations under this Act are submitted at this time because we feel the new Administration has not had sufficient opportunity to review our budgetary needs in relation to reorganization and program emphasis.

Sec. 5 (a)

Current Language

(b) Each board to which this subsection applies shall consist of not more than fifty-one members and shall be so constituted that (1) one-third of the members of the board are elected public officials, or their representatives, except that if the number of elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement, (2) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served, and (3) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, or other major groups and interests in the community. Each member of the board selected to represent a specific geographic area within a community must reside in the area he represents. No person selected under clause (2) or (3) of this sub-section as a member of a board shall serve on such a board for more than five consecutive years, or more than a total of ten years.

Proposed Change

Section 211 of the Economic Opportunity Act of 1964, as amended, is amended in subsection (b) thereof to read: "Each board to which this sub-section applies shall consist of not more than fifty-one and not less than fifteen members and shall be so constituted that (1) one-third of the members of the board are current elected officials reasonably available and willing to serve is less than one-third of the membership of the board, membership on the board of appointive public officials may be counted in meeting such one-third requirement, (2) at least one-third of the members are persons chosen in accordance with democratic selection procedures adequate to assure that they are representative of the poor in the area served, and (3) the remainder of the members are officials or members of business, industry, labor, religious, welfare, education, and other major groups and interests in the community. Each member of the board selected to represent a specific geographic area within a community must reside in the area he represents. No person selected under clause (2) or (3) of this subsection as a member of a board shall serve on such a board for more than three consecutive years, or more than a total of seven years".

The change in Section 211(b) of the EOA which would require a minimum of fifteen persons on a Community Action Agency's board of directors. This would correct situations in which board size might be too small to accurately reflect the desired local participation. The present

language has allowed a small number of community action agencies to suggest that their board consists of only three seats. A requirement of at least fifteen members per board will reflect Congressional and agency intent for local representation in board decisions.

The second change in Section 211 reduces the length of service for community representatives on a CAA board from five to three consecutive years and from ten to seven years total length of service. We must have increased participation of local communities in the decision making process and this provision would encourage greater and more frequent participation of the community served and permit more individuals to have the experience such service provides. It would promote a more active, involved community of individuals planning for their own needs and future.

Sec. 5. (b)(1)

Current Language

"Sec. 222 (a)(11)(third sentence) In the construction, rehabilitation, and repair of housing for low-income families under this paragraph, the services of persons enrolled in Mainstream programs may be utilized."

Proposed Change'

"Sec. 222(a)(11) In the construction, rehabilitation and repair of housing for low-income families under this paragraph, the services of persons enrolled in Mainstream programs and programs under the Comprehensive Employment and Training Act of 1973, may be utilized."

This would constitute a technical change and an updating of the Act to conform with changes that have been made in law since enactment of the rural housing section. It would permit a relationship between rural housing projects and CETA programs we feel is most desirable.

Sec. 5.(b)(2)

Current Language

"Sec. 222.(a)(13) A program to be known as "Summer Youth Recreation" designed to provide recreational opportunities for low-income children during the summer months. Funds made available for this section shall be allocated by the Director, after consultation with the Secretary of Labor, among prime sponsors and other agencies designated under title I of the Comprehensive Employment and Training Act of 1973 on the basis of (1) the relative number of public assistance recipients in the area served by such prime sponsor or agency, as compared to the Nation; (2) the relative number of unemployed persons in such area as compared with the Nation; and (3) the relative number of related children living with families with income below the poverty line in such area, as compared to the Nation. That part of any allotment which the Director determines will not be needed may be reallotted, at such dates during the fiscal year as the Director may fix, to the extent feasible, in proportion to the original allotments. In making allocations under this section, the Director shall insure, to the maximum extent possible, that for the program commencing in the fiscal year ending June 30, 1975, and for the program in each succeeding fiscal year no prime sponsor or other designated agency shall receive an amount less than the amount received for such programs during the fiscal year ending June 30, 1973, or the fiscal year ending June 30, 1974, whichever is higher."

Proposed Change

"Sec. 222.(a)(13) A program to be known as "Summer Youth Recreation" designed to provide recreational opportunities for low-income children during the summer months. Funds made available for this action shall be allocated by the Director among community action agencies where feasible, or other public or private non-profit agencies where no such community action agency exists or is able to administer a program to provide recreational opportunities for low-income children during the summer months."

The proposed change is envisioned as a means of insuring compliance with the legislative intent that the program serve the needs of disadvantaged children for summer recreation. The revision would modify implementation of the Summer Youth and Recreatinn Program in such a fashion as to provide for sponsorship by community action agencies and establish eligibility standards consistent with other Title II programs.

The designation of CETA prime sponsors as the local administering agency for SYRP is a consequence of the program having been lodged in the Department of Labor during 1974. Rather than create a separate eligibility standard for SYRP, the Department used prime sponsors. The resulting administrative system is somewhat cumbersome, inasmuch as the sponsor's customary relationship is with the DOL system. SYRP is not a Manpower program and does not logically fit into the context of CETA, except for the use of Summer Youth Job enrollees as employees.

The community action agencies are necessarily familiar with general CSA procedures in grant application, auditing and reporting. They also have other CSA general administrative funds available to permit early SYRP start up, with subsequent reimbursement from SYRP once funds SYRP received. In terms of responsiveness to local needs, the community action agencies have the outreach capability to enable quick recruiting of disadvantaged children, whch is important due to the tight time frame of the program.

Sec. 5.(c)

Current Language

"Sec. 225.(c) Unless otherwise provided in this part, financial assistance extended to a community action agency pursuant to sections 221 and 222(a), for the period ending June 30, 1967, shall not exceed 80 per centum of the approved cost of the assisted program or activities with respect to fiscal year 1975, and 70 per centum of such costs with respect to fiscal year 1976, and shall not exceed 60 per centum of such costs with respect to fiscal year 1977, except that in the case of community action agencies receiving such financial assistance annually of $300,000 or less, such financial assistance shall not exceed 75 per centum of such costs with respect to fiscal year 1976, and shall not exceed 70 per centum of such costs with respect to fiscal year 1977."

Proposed Change

"Sec. 225.(c) Unless otherwise provided in this part, financial assistance to a Community Action Agency or other agency pursuant to Sections 221 and 222(a) shall not exceed 80 per centum of approved costs of assisted programs."

One of the premises upon which OEO was founded in 1964 was that a national Federal program for poor people was necessary because local governments could not or would not do the job. One of the assumed difficulties was payment. Thus, like the national highway construction program that preceded it, the local share was set at ten percent. In 1967 amendments, that local share was increased to twenty percent where it remained for eight years until 1976.

During those eight years, both the local share and the Federal contribution of $330 million remained stable. Over that period, increasing local acceptance and firm administration of the required local financial support brought strict compliance with the requirement -- in 1975 only two waivers were granted to local initiative grantees at the 80/20 level.

However, the Community Services Act of 1974 required a massive increase in local support: in the case of larger grantees, that local support was required to more than double in two years. A grantee receiving $300,000 Federal dollars in 1975 had to produce $75,000 from his mayor, city council, county or state government. This year, to remain eligible for the same Federal dollars, the typical private, non-profit corporation has to ask its community for $200,000 in local contributions, a 267% increase.

Since CAP's have been unable to increase local financial support in the amounts called for, the Agency has been forced to issue relatively broad criteria for waiver, as provided for in Section 225(c). Two bases for waiver are now offered: (1) extreme percentage of poverty in an area, which applies to 193 counties, and (2) failure of all "reasonable efforts" of the CAP to raise non-Federal share. In Fiscal Year 1976, of our 879 CAP's, 266 received waivers. Notwithstanding the relief that may be provided local governments by an improved economy, we expect the current fiscal year with the higher requirements for local match will reveal a similar pattern.

When close to a third of our grantees require administrative relief to finance their ongoing program levels -- without any adjustment for increases in cost of living -- it is timely to raise serious questions about the necessity and equity of the underlying requirements. The successful CAP which produces the massive increase in non-Federal share for our local initiative program must use it to buy our 60 percent dollars instead of bidding on more attractive 90 percent or 80 percent dollars available from other social programs.

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Sec. 6 (a)

Current Language

"Sec. 601. (c) Subject to the provision of subsection (e) of this section, the Administration shall be an independent agency. The Director shall have the responsibility for carrying out titles I, II, III-B, VI, VII and IX of this Act. The functions of the Director with respect to carring out titles I, II (except section 232), III-B, VI, VII and IX of this Act shall not be delegated to any other officer not directly responsible, both with respect to program operation and administration, to the Director. Beginning after June 15, 1975, the policymaking functions, including the final approval of grants and contracts, of the Director, shall not be delegated to any regional office or official."

Proposed Change

Sec. 6. (a) Section 601(c) of the Economic Opportunity Act of 1964, as amended, is amended to read: "The Administration shall be an independent agency. The Director shall have the responsibility for carrying out Titles I, II, III-B, VI, VII and IX of this Act". The remainder of this Subsection is striken.

Section 601 (c) was amended in 1974 to prohibit the Director from delegating to regional officials the authority to make grants or contracts or to set policy. While this was intended to force greater review of and control over grants and contracts, it has had the opposite effect. The requirement that final approval over grants and contracts reside in Headquarters office, effective June 1975, has to date necessitated over 8,000 grant reviews and signatures be made by the Headquarters official to whom such authority was delegated.

Thus, final review and approval has become perfunctory rather than substantive and the grant making process has become even more unwieldy, with greatly increased paperwork, cross-country mailings, and resultant funding delays. The requirement has kept the Headquarters official from the substantive task of monitoring regional performance and the necessary reliance on the judgment of Regional Directors has been increased rather than diminished.

This amendment would reduce the current paperwork overload, reduce chronic funding delays, and decentralize authority in a responsible, revocable manner.

Sec. 6(b)

Current Language

Section 602(d) "with the approval of the President, arrange with and reimburse the heads of other Federal agencies for the performance of any of his functions under this Act and, as necessary or appropriate, delegate any of his powers under this Act and authorize the redelegation thereof subject to provisions to assure the maximum possible liaison between the Community Services Administration and such other agencies at all operating levels, which shall include the furnishing of complete operational information by such other agencies to the Community Services Administration to such other agencies;"

Proposed Change

Section 602 (d) of the Economic Opportunity Act of 1964, as amended, is amended by striking out, the words "with the approval of the President,"

Consistent with the change in Section 601(c), removing the prohibition against the Director delegating any authority to those not directly responsible to him/her under the Act, this language would allow delegation of specified authority outside the Agency to facilitate interagency cooperative efforts without requiring specific Presidential approval.

We feel this is desirable as the Agency increases its interaction with other departments and agencies to minimize delays in implementing joint efforts.

Sec. 6 (c)

Current Language

(c) The Advisory Council shall make an annual report of its findings and recommendations to the President not later than March 31 of each calendar year beginning with the calendar year 1967. The President shall transmit each such report to the Congress together with his comments and recommendations.

Proposed Change

(c)(1) The first sentence of section 605(c) of the Economic Opportunity Act of 1964, as amended, is amended by inserting "and ending with the calendar year 1978" before the period at the end thereof. (2) A new sentence is added at the end of the second sentence: "The Advisory Council shall cease to exist 60 days after making the final annual report required by this subsection".

This change would abolish the National Advisory Council sixty days after the submission of its March 1978 report to the President. We support this provision with the understanding that if the Council can prove that it is an effective and necessary partner in our efforts to alleviate poverty and its causes during this period, that we will urge its continuance.

Sec. 6 (d)

Current Language

PRIVATE ENTERPRISE PARTICIPATION

SEC. 620. The Director and the heads of any Federal departments or agencies to which the conduct of programs described in this Act have been delegated shall take such steps as may be desirable and appropriate to insure that the resources of private enterprise are employed to the maximum feasible extent in the programs described in this Act. The Director and such other agency heads shall submit at least annually to the Congress a joint or combined report describing the actions taken and the progress made under this section.

Proposed Change

(d) Section 620 of the Economic Opportunity Act of 1964 as amended is amended by striking "The Director and such other agency heads shall submit at least annually to the Congress a joint or combined report describing the actions taken and the progress made under this section".

This change would eliminate one of three reports required annually under the Act. We would also eliminate the Section 745 report; however, the Agency would still be required to file its annual report to Congress under Section 608. The information required in this section and Section 745 would be included in that annual report.

Sec. 7 (a)

Current Language

"Sec. 714 (2) Federal assistance to any program carried out pursuant to this part, including grants used by community development corporations for capital improvements shall (1) ..., and (2) be made available for deposit to the order of the grantee, under conditions which the Director deems appropriate, within thirty days following approval of the grant agreement by the Director and such grantee of the grant agreement."

Proposed Change

"Sec. 714 (2) be made available to the grantee, in accordance with current Department of the Treasury regulations and other conditions which the Director deems appropriate, within thirty days following approval of the grant agreement by the Director and such grantee of the grant agreement."

Section 714 (2) can be, and is presently being interpreted by Title VII grantees as authority to maintain balances of Federal cash in excess of the 30-day needs specified as maximal by Treasury Circular No. 1075 and CSA Instruction 6800-10. This proposed language change seeks to clarify the precedence of Treasury and Agency regulations specific to letter-of-credit method. Legislative resolution of this long-standing problem is more timely and less costly than alternative means such as a court test. The proposed change is consistent with Agency efforts to install adequate funds control over Title VII grantees.

Sec. 7. (b)

Current Language

"Sec. 731. (a) The Director is authorized to make or guarantee loans (either directly or in cooperation with banks or other organizations through agreements to participate on an immediate or deferred basis) to community development corporations, and families and local cooperatives eligible for financial assistance under this title for business, housing, and community development projects which the Director determines will carry out the purpose of this part."

Proposed Change

"Sec. 731. (a) The Director is authorized to make or guarantee loans (either directly or in cooperation with banks or other organizations through agreements to participate on an immediate or deferred basis) to community development corporations, and families and local cooperatives, eligible for financial assistance under this title, and to Community Action Agencies and other community-based organizations eligible for financial assistance under Title II of this Act, for business, housing and community development projects which the Director determines will carry out the purposes of this part."

This proposed change establishes the eligiblity of Community Action Agencies and other community-based organizations consistent with their eligibility for financial assistance under other sections of Title VII.

Sec. 8 (1)

Current Language

"Sec. 210 (f) In carrying out his responsibilities under this part the Director may delegate such functions (other than policymaking functions and the final approval of grants and contracts) to a State, in accordance with criteria and guidelines established by him, as he deems appropriate, except that no such delegation shall take place unless all the community action agencies within such State formally indicate their approval of such proposed delegation, except that whenever such delegated functions include the authority to approve programs within such State the Director shall make available to the State, in addition to an amount not less than the amount made available to such State for State agency assistance under section 231 in the previous fiscal year, an amount in each fiscal year equal to such State's share (as determined by the formula set forth in the third sentence of section 225 (a) of the aggregate amount made available during the fiscal year ending June 30, 1974, for the operation of regional offices of the Office of Economic Opportunity."

Proposed Language

This section would be repealed.

Although this section has never been utilized by a State, it bears the potential for creating massive inefficiency and disorganization within the agency.

CSA's nationwide and regional structures are an integral part of its effort to comply with the intent of Congress, and the legitimacy of this structure should not be dependent upon the omnipresent possibility of several states' withdrawing from the system.

In addition, under the proposed change of Section 601 (c) of the Act, such disruptive State withdrawals could create fifty separate grant-approving operations.

Sec. 8 (2) (3) (4)

The repeal of these sections would affect undeveloped authority for environmental action, architectural design and consumer action programs. The authority for such eligible activities will continue to exist in other sections of the Act.

Current language

Section 222(a)(10)

(10) An "Environmental Action" program through which low-income persons will be paid for work (which would not otherwise be performed) on projects designed to combat pollution or to improve the environment. Projects may include, without limitation: cleanup and sanitation activities, including solid waste removal; reclamation and rehabilitation of eroded or ecologically damaged areas, including areas affected by strip mining; conservation and beautification activities, including tree planting and recreation area development; the restoration and maintenance of the environment; and the improvement of the quality of life in urban and rural areas.

Proposed Change

Repeal

* * * *

Current Language
Sec. 226

DESIGN AND PLANNING ASSISTANCE PROGRAMS

SEC. 226. (a) The Director shall make grants or enter into contracts to provide financial assistance for the operating expenses of programs conducted by community-based design and planning organizations to provide technical assistance and professional architectural and related services relating to housing, neighborhood facilities, transportation and other aspects of community planning and development to persons and community organizations or groups not otherwise able to afford such assistance. Such programs shall be conducted with maximum use of the voluntary services of professional and community personnel. In providing assistance under this section, the Director shall afford priority to persons in urban or rural poverty areas with substandard housing, substandard public service facilities, and generally blighted conditions. Design and planning services to be provided by such organizations shall include—

(1) comprehensive community or area planning and development;

(2) specific projects for the priority planning and development needs of the community; and

(3) educational programs directed to local residents emphasizing their role in the planning and development process in the community.

(b) No assistance may be provided under this section unless such design and planning organization—

(1) is a nonprofit organization located in the neighborhood or area to be served with a majority of the governing body of such organization comprised of residents of that neighborhood or area;

(2) has a primary function the goal of bringing about, through the involvement of the appropriate community action agency or otherwise, maximum possible participation of local residents, especially low-income residents, in the planning and decisionmaking regarding the development of their community; and

(3) will carry out its design and planning services principally through the voluntary participation of professional and community personnel (including, where available, VISTA volunteers).

(c) Design and planning organizations receiving assistance under this section shall not subcontract with any profitmaking organization or pay fees for architectural or other professional services.

(d) The Director is authorized to make whatever arrangements are necessary to continue pilot or demonstration projects of demonstrated effectiveness of the type described in this section receiving assistance under section 232 of this Act during the fiscal year ending June 30, 1971.

Proposed Change
Repeal

Current Language
Sec. 228

CONSUMER ACTION AND COOPERATIVE PROGRAMS

SEC. 228. (a) The Director shall make grants or enter into contracts to provide financial assistance for the development, technical assistance to and conduct of consumer action and advocacy and cooperative programs, credit resources development programs, and consumer protection and education programs designed to demonstrate various techniques and models and to carry out projects to assist and provide technical assistance to low-income persons to try to improve the quality, improve the delivery, and lower the price of goods and services, to obtain, without undue delay or burden, financial credit at reasonable cost, and to develop means of enforcing consumer rights, developing consumer grievance procedures and presenting consumer grievances, submitting consumer views and concerns for protection against unfair, deceptive, or discriminatory trade and commercial practices and educating low-income persons with respect to such rights, procedures, grievances, views and concerns.

(b) No assistance may be provided under this section unless the grantee or contracting organization or agency is a nonprofit organization and has as a primary function the goal of bringing about, through the involvement of the appropriate community action agency or otherwise, maximum possible participation of low-income persons in the project.

(c) The Director is authorized to make whatever arrangements are necessary to continue pilot or demonstration projects of demonstrated effectiveness, or which have not yet been evaluated until such time as an evaluation is conducted and the effectiveness determined and to carry out evaluations of such projects, of the type described in this section receiving assistance under section 232 of this Act during the fiscal year ending June 30, 1971 or June 30, 1972.

Proposed Change
Repeal

Sec. 8 (5)

Current Language

Sec. 236. (a) There shall be established within the Community Services Administration an Intergovernmental Advisory Council on Community Services (referred to in this section as the "Council").

(b) The Council shall be composed of nine members who shall be appointed by the President as follows:

(i) Three members shall be appointed from among representatives of States and county and municipal governments or organizations which represent such governmental units, selected on an equitable political and geographic basis after considering recommendations made by the National Governors' Conference, the National League of Cities-United States Conference of Mayors, the National Association of Counties and similar organizations representative of State and local government.

(ii) Three members shall be appointed from among representatives of community action agencies and other grantees under this Act or organizations which represent such agencies and grantees, selected on an equitable political and geographic basis after considering recommendations previously made by the Director of the Community Services Administration.

(iii) Three members shall be appointed from among representatives of labor, management, and other sectors which have demonstrated active interest in community action and anti-poverty programs.

(c) The Council shall -

(1) encourage the formation of community partnership agreements;

(2) review the substance of such agreements and any regulations, guidelines, or other program criteria with respect thereto and advise the Director thereon prior to final approval thereof;

(3) evaluate the effectiveness of such agreements in meeting the purposes of this Act;

(4) conduct a continuing survey throughout the Nation on the extent to which, and terms under which, public and private resources have been and may be available for anti-poverty efforts;

(5) identify and encourage means of increasing resources available for such activities; and

(6) submit annual reports to the President and to the Congress on or before March 1, 1976, and March 1, 1977, with respect to its activities and findings, together with such recommendations for legislation as it may deem appropriate.

(d) The Director shall provide the Council with such information as shall be necessary for the Council to discharge its functions under this section and shall furnish the Council with copies of all grant applications within ten days of receipt thereof.

Proposed Change

Repeal.

The Intergovernmental Advisory Council has never bee established as required under the Act. This change recognizes that reality.

Sec. 8(6)

Current Language

"The Director shall appoint two assistant directors for the purpose of assisting the Director in the administration of the provisions of this title. One such assistant director, to be known as the Assistant Director for Community Action in Rural Areas, shall be responsible for assuring that funds allotted for assistance to programs or projects designed to assist the rural poor are so expended. The other assistant director to be known as the Assistant Director for Community Action in Urban Areas, shall be responsible for assuring that funds allotted for assistance to programs or projects designed to assist the urban poor are so expended. Each assistant director shall have such additional responsibilities consistent with the foregoing responsibilities as the Director may hereafter assign."

Proposed Language

"Repeal"

Section 240 has called for the appointment of two Assistant Directors for Community Action -- one for rural areas and one for urban. These appointments have never been made. Nor does the agency's new leadership intend to utilize these specific positions.

However, their primary functions, to assure that funds equitably allotted for programs to assist the poor in rural areas and those to assist the poor in urban areas are so expended, has been carried out by the Director under the requirements of Section 617, Distribution of Benefits Between Rural and Urban Areas.

Sec. 8 (7)

Current Language:

(e)(1) After March 15, 1975, the President may submit to the Congress a reorganization plan which, subject to the provisions of paragraph (2) of this subsection, shall take effect if such reorganization plan is not disapproved by enactment of a joint resolution which shall be considered in Congress in accordance with the provisions of paragraph (3) of this subsection and the procedures established with respect to reorganization plans by chapter 9 of title 5, United States Code, except to the extent otherwise provided in this Act.

(2) A reorganization plan submitted in accordance with the provisions of paragraph (1) shall provide—

(A) for establishing in the Department of Health, Education, and Welfare a Community Services Administration—

(i) which shall be headed by a Director,

(ii) which shall be the principal agency, and the Director of which shall be the principal officer, for carrying out titles I, II, III–B, VI, and IX of this Act, and which, with respect to such provisions, shall be the successor authority to the Community Services Administration established by subsection (a) of this section,

(iii) the Director of which shall be, in the performance of his functions, directly responsible to the Secretary, and

(iv) in which no policymaking functions, including the final approval of grants or contracts, of the Director shall be delegated to any regional office or official.

(B) for establishing in the Department of Commerce a Community Economic Development Administration—

(i) which shall be headed by a Director,

(ii) which shall be the principal agency, and the Director of which shall be the principal officer, for carrying out title VII of this Act, and which, with respect to such provisions, shall be the successor authority to the Community Services Administration established by subsection (a) of this section,

(iii) the Director of which shall be, in the performance of his functions, directly responsible to the Secretary of Commerce, and

(iv) in which no policymaking functions, including the final approval of grants or contracts, of the Director shall be delegated to any regional office or official.

(3) For the purpose of this subsection and chapter 9, title 5, United States Code, to the extent incorporated by this subsection, the following provisions apply:

(A) The term "resolution" means a joint resolution the matter after the resolving clause of which is: "That the Congress of the United States disapproves the Community Services Administration Reorganization Plan transmitted to the Congress by the President on ————, 19—." The blank spaces therein are to be appropriately filled.

(B) If, prior to the passage by one House of the joint resolution of that House with respect to the reorganization plan, such House receives from the other House a joint resolution with respect to the same plan, then the following procedure applies:

(i) If no resolution of the first House with respect to such plan has been referred to committee, no other resolution with respect to the same plan may be reported or (despite the provisions of section 912(a) of title 5, United States Code) be made the subject of a motion to discharge.

(ii) If a resolution of the first House with respect to such plan has been referred to committee—

(I) the procedure with respect to that or other resolutions of such House with respect to such plan which have been referred to committee shall be the same as if no resolution from the other House with respect to such plan had been received; but

(II) on any vote on final passage of a resolution of the first House with respect to such plan the resolution from the other House with respect to such plan shall be automatically substituted for the resolution of the first House.

(4) The transfers authorized under subparagraphs (A) and (B) of paragraph (3) of this subsection shall be effective 30 days after the last date on which such reorganization plan could be disapproved under this subsection.

(f) In the event that the reorganization plan pursuant to subsection (e) takes effect, the Director of the Community Services Administration and the Director of the Community Economic Development Administration shall each be appointed by the President, by and with the advice and consent of the Senate, except that the person serving as Director of the independent Community Services Administration pursuant to the advice and consent of the Senate may, if the President notifies the Congress accordingly, continue to serve as Director of the Community Services Administration with the Department of Health, Education, and Welfare; but the President may in such event submit to the Senate a nomination for such position.

(g) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof the property, records, and unexpended balances of appropriations, allocations, and other funds employed, used, held, available, or to be made available in connection with the functions of the Director of the independent Community Services Administration, established by subsection (a) of this section, shall be transferred to the Director of the

Community Services Administration, within the Department of Health, Education, and Welfare, and to the Director of the Community Economic Development Administration within the Department of Commerce, as appropriate. All grants, applications for grants, contracts, and other agreements awarded or entered into by the Director of the independent Community Services Administration shall continue to be recognized so that there is no disruption of ongoing activities for which there is continuing authority.

(h) (1) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof all Federal personnel employed by the independent Community Services Administration under the authorization and appropriations for the Economic Opportunity Act of 1964, transferred to the Community Services Administration within the Department of Health, Education, and Welfare or to the Community Economic Development Administration within the Department of Commerce shall, to the extent feasible, be assigned to related functions and organizational units in the appropriate Administration, without loss of salary, rank, or other benefits, including the right to representation and to the existing basic collective-bargaining agreement.

(2) In the event that the reorganization plan pursuant to subsection (e) of this section takes effect, on the effective date thereof all official actions taken by the Director of the independent Community Services Administration, his designee, or any other person under the authority of the Economic Opportunity Act of 1964 which are in force on such date, and for which there is continuing authority under the provisions of this Act, shall continue in full force and effect until modified, superseded, or revoked by the Director of the Community Services Administration, within the Department of Health, Education, and Welfare, or the Director of the Community Economic Development Administration, within the Department of Commerce, as appropriate.

(3) In the event that the reorganization plan submitted pursuant to subsection (e) of this section takes effect, on the effective date thereof all references to the independent Community Services Administration, or to the Director of that Administration in any statute, reorganization plan, executive order, regulation, or other official document or proceeding shall, on and after such date, be deemed to refer to the Community Services Administration within the Department of Health, Education, and Welfare, or the Director of the Community Economic Development Administration, within the Department of Commerce as appropriate, or to the Director of either such Administration, as the case may be.

(4) In the event that the reorganization plan submitted pursuant to subsection (e) of this section takes effect, on the effective date thereof no suit, action, or other proceeding, and no cause of action, by or against the independent Community Services Administration, or any action by any officer thereof acting in his official capacity, shall abate by reason of the taking effect of such plan.

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Proposed Change

Repeal

Section 601, subsections (e)(f)(g)(h) were the provisions in the 1974 amendments to the Act that allowed the President, after March 15, 1975, to transfer the Community Services Administration to the Department of Health, Education and Welfare. Special provision was made for transfer of Title VII programs to the Department of Commerce. The President chose not to exercise his authority under these sections and maintained CSA as an independent agency. In any major reorganization effort conducted by President Carter, we feel he would wish to use his current authority for reorganization to submit his own plan, without the limits imposed by thhis legislation; so we recommend the deletion of these sections from the Act.

Section 8 (8)

Current Language

SEC. 745. On or before six months after the enactment of this title, and annually thereafter, the Director shall submit to the Congress a detailed report setting forth a description of all Federal agency programs which he finds relevant to achieving the purposes of this title and the extent to which such programs have been made available to community development corporations receiving financial assistance under this title including specifically the availability and effectiveness of programs referred to in sections 742, 743, and 744 of this title. Where appropriate, the report required under this subsection also shall contain recommendations for the more effective utilization of Federal agency programs for carrying out the purposes of this title.

Proposed Change

Repeal.

This change eliminates one of the three reports required under the Act. Along with the elimination of the report in Section 620, it consolidates all reports into one annual, comprehensive report to Congress under Section 608.

HARRISON A. WILLIAMS, JR., N.J., CHAIRMAN
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STEPHEN J. PARADISE, GENERAL COUNSEL AND STAFF DIRECTOR

United States Senate

COMMITTEE ON HUMAN RESOURCES
WASHINGTON, D.C. 20510

February 27, 1978

The Honorable Joseph Califano
Secretary of Health, Education and Welfare
200 Independence Avenue, S.W.
Washington, D.C. 20201

Dear Mr. Secretary:

On September 14, 1977, I introduced S. 2090 -- the Economic Opportunity Amendments of 1977, at the request of the Administration. As you know, one of the provisions of this legislation would extend the Follow-Through Program for one year, through fiscal year 1979.

The Senate Human Resources Subcommittee on Employment, Poverty and Migratory Labor held hearings on S. 2090, at which time Dr. Thomas K. Minter, Deputy Commissioner of the Office of Education, testified regarding the extension of the Follow-Through Program. In his testimony Dr. Minter stated:

> "We (the Administration) favor an extension of Follow-Through authority through fiscal year 1979 so as not to interfere with the budget to be submitted in January 1978. We are currently reviewing all of our elementary and secondary education programs, including Title I of ESEA, and believe that Follow-Through renewal should be a part of that review process. Consequently, we do not have specific recommendations to make on the program at this time. We expect to be ready with our recommendations by early next year."

I asked Dr. Minter if the Subcommittee could expect to receive a complete copy of the Department's legislative recommendations regarding the Follow-Through Program. He replied that such information would be provided by the end of January.

Thus far, the Subcommittee has not received any indication from the Department as to what its specific legislative proposals for the Follow-Through Program are for the future, other than an extension of the program for one year.

After examination of the President's budget proposals for fiscal year 1979, I became increasingly concerned over what specific plans have been made for this program. The President's budget reveals a request of $35 million for Follow-Through -- a $24 million decrease from fiscal year 1978 funding levels. This particular budget request

appears to indicate a total phase-out of Follow-Through, as has been proposed by previous administrations. The 1979 budget states:

> "The 1979 request will initiate a phase-out starting in the 1979-80 school year by funding only those approximately 59,020 currently enrolled students in 162 projects. In order to disseminate improved compensatory educational practices, sites determined to be successful will continue to be funded as 'lighthouses'."

In light of the Department's position on the extension of Follow-Through and the request for a decrease in funding for the program, the Subcommittee would like clarification regarding several items of concern:

1. What are the Department's specific plans for the Follow-Through Program? What are your specific legislative proposals, other than a simple one-year extension? What is the basis and justification for any such proposals?

2. Are you planning a phase-out of Follow-Through? If so, please describe the Department's itinerary for doing so. Please detail how many children, who would be eligible to participate at the current program funding level of $59 million, would not be served due to the recommended $24 million decrease. Were the savings realized by this decrease then used to increase the Administration's budget proposals for other federal education programs?

3. The Department has suggested that Follow-Through be transferred to Title I of ESEA. Is the Department planning to make a legislative proposal to incorporate Follow-Through into ESEA? If so, how will the preventive approach of the Follow-Through Program be workable within the context of the remedial nature of Title I? Please supply the Subcommittee with the specifics of any such proposal.

4. It has come to the attention of the Subcommittee that the Follow-Through Program and the Office of Education contracted with the Stanford Research Institute and the ABT Associates to evaluate the various educational models used in Follow-Through. When were such contracts let? What are the terms of the contracts? How much has been spent on evaluation? Were local program personnel and parents included in determining the design, the services to be measured and the assessment techniques used for evaluation of the Follow-Through Program?

Your cooperation in providing answers to the above questions would be greatly appreciated. The Subcommittee will conclude hearings on S. 2090 on March 14, 1978. A response from you by March 8, 1978 would be appreciated so other Subcommittee members and their staffs can be appraised of your response as soon as possible.

As you know, both the Head Start Program and the Follow-Through Program were first established by President Lyndon Johnson through the Office of Economic Opportunity. As domestic advisor to the President you played a vital role in formulating the programs.

The Head Start Program has been most successful and enjoys intense community support. Community support for and belief in the Follow-Through concept seems to be equally as intense. I am, therefore, particularly interested in the Department's plans for the Follow-Through Program.

Answers to the questions put forth in this letter will assist the Subcommittee in determining what actions are necessary concerning the legislative future of this program.

Sincerely,

GAYLORD NELSON
Chairman, Subcommittee
on Employment, Poverty
and Migratory Labor

cc: Mr. Dick Warden

GN:mh

COPY

[Editor's Note: As of May 1, 1978, no response had been received from the Department of Health, Education, and Welfare.]

HARRISON A. WILLIAMS, JR., N.J., CHAIRMAN

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AND STAFF DIRECTOR
MARJORIE M. WHITTAKER, CHIEF CLERK

United States Senate

COMMITTEE ON HUMAN RESOURCES
WASHINGTON, D.C. 20510

March 22, 1978

The Honorable Joseph Califano
Secretary of Health, Education and Welfare
The Hubert H. Humphrey Building
Office of the Secretary
Room 615F
200 Independence Avenue
Washington, D.C. 20201

Dear Mr. Secretary:

The Subcommittee on Employment, Poverty and Migratory Labor would like to receive the Administration's comment on S. 1919, for use in mark-up of the reauthorization of the Head Start Program. S. 1919 would enable communities of 1,000 persons or less to determine their own eligibility factors for the Head Start Program. The Administration's comment would be most useful in committee deliberations.

Specifically, how many communities might potentially qualify for an exception of this nature? What would be the costs associated with the provisions of the bill? What impact would such an exception have on those communities which would still be subject to the national eligibility factors? Any additional comments would also be appreciated.

The Subcommittee mark-up session is scheduled for mid-April. Administration comment must be received by April 13, 1978 in order to be considered by all committee members.

Thank you for your consideration of this request.

Sincerely,

Gaylord Nelson

GAYLORD NELSON
Chairmain, Subcommittee
on Employment, Poverty
and Migratory Labor

GN:mh

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20201

OFFICE OF THE
GENERAL COUNSEL
LEGISLATION DIVISION

4 APR 1978

Honorable Gaylord Nelson
Chairman, Subcommittee on
Employment, Poverty and
Migratory Labor
Committee on Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your letter to Secretary Califano of March 22, 1978, asking for his comments on S. 1919, a bill "To amend the Headstart-Follow Through Act to provide more flexible criteria for participation in Headstart programs, and for other purposes."

The Department's views on the bill are already in preparation in response to a similar request previously received from the Committee on Human Resources. We have asked that the report include the information requested by your letter as well. We would be pleased to provide you with our letter concurrently with its presentation to the Committee.

Sincerely yours,

Donald Hirsch
Assistant General Counsel

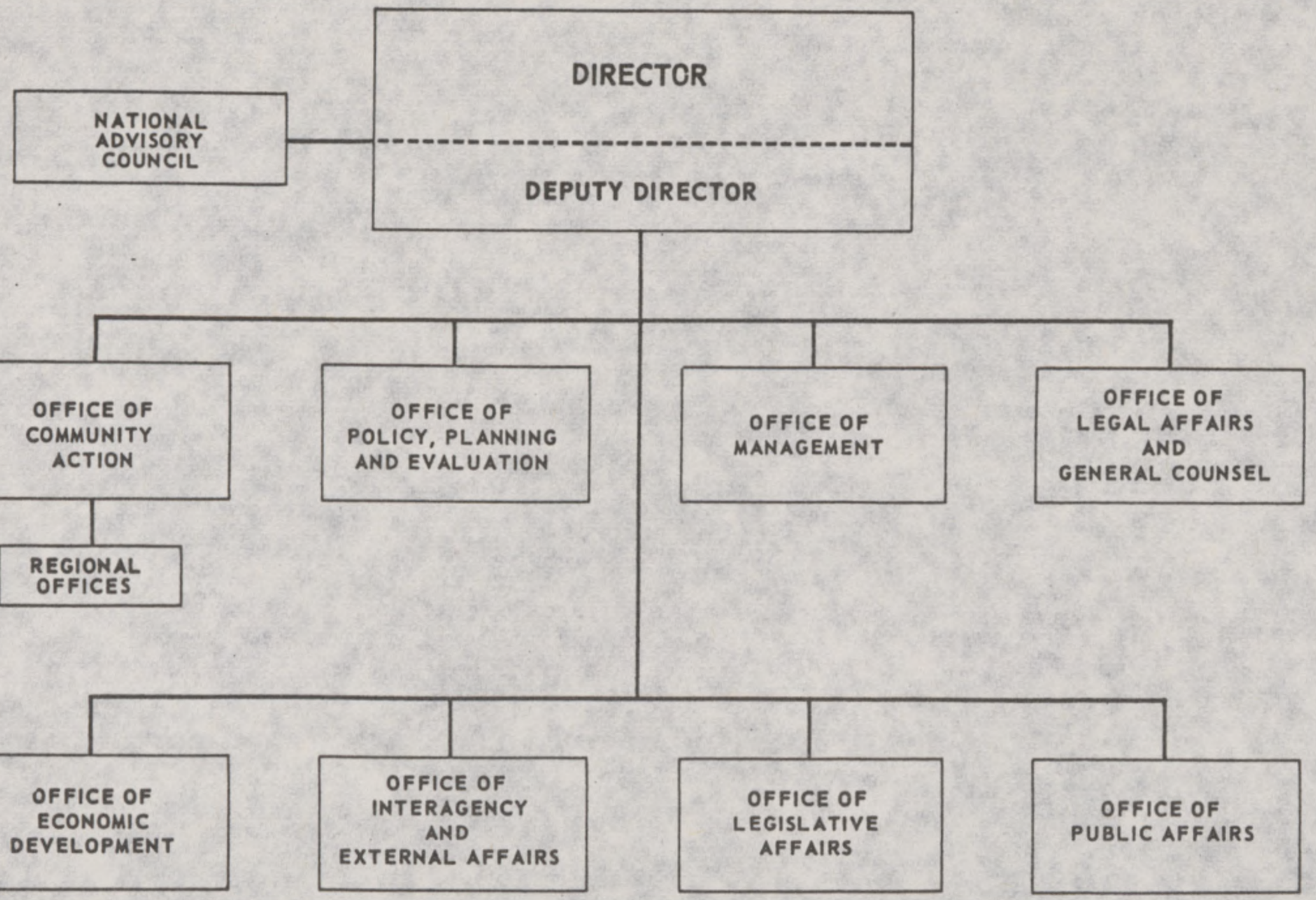
[Editor's Note: As of May 1, 1978, no response had been received from the Department of Health, Education, and Welfare.]

Appendix E

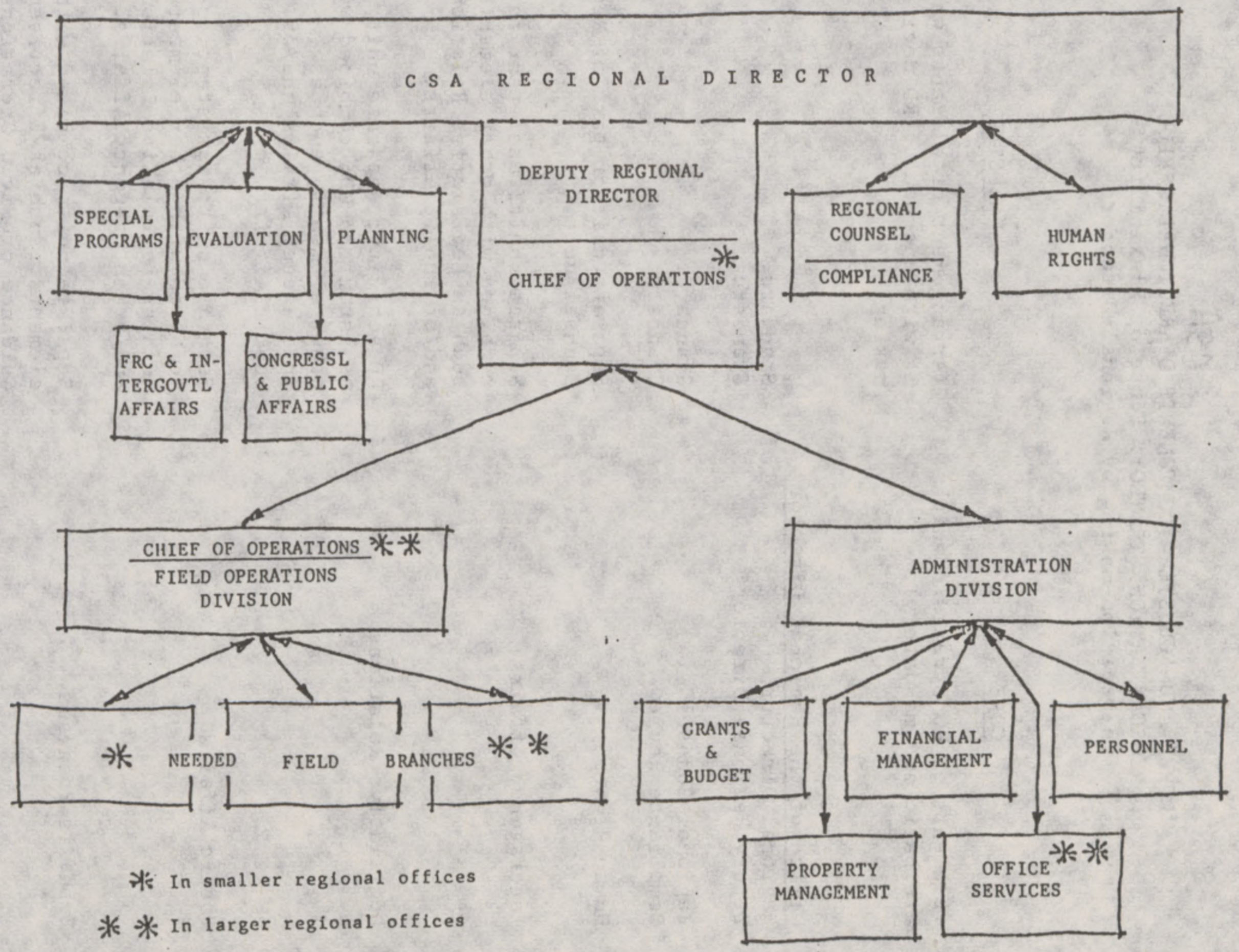
ORGANIZATIONAL DIAGRAMS OF THE COMMUNITY SERVICES ADMINISTRATION; THE HEW ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES; AND THE HEW ADMINISTRATION FOR NATIVE AMERICANS

COMMUNITY SERVICES ADMINISTRATION

APPROVED BY: GRACIELA (GRACE) OLIVAREZ
DATE: July 29, 1977



CSA REGIONAL OFFICE MODULAR STRUCTURE



* In smaller regional offices

** In larger regional offices

CSA

'CORE' AND 'CLUSTER' COMPONENTS OF REGIONAL OFFICE REORGANIZATION STRATEGY: Scope of Flexibility in Decision-making by Regional Directors

CORE (Elements of RO structure which are basic and mandatory)	CLUSTER (Arrangement of elements which is within scope of RD decision-making)
Office of the Regional Director	
Regional Director	Standard.
Deputy Regional Director	Standard.
Regional Counsel	Standard.
Compliance Review	Standard.
Human Rights	Separate unit or part of Regional Counsel unit.
Interagency Affairs	Separate unit; assistant to RD; combined with other elements, such as Legislative Relations and/or Public Affairs.
Legislative Relations	RD activity; separate unit; assistant to RD; combined with other elements, such as Interagency Affairs and/or Public Affairs.
Public Affairs	Separate unit; assistant to RD; combined with other elements, such as Legislative Relations and/or Interagency Affairs.
Emphasis Programs	Separate unit; combined with other elements, such as Effectiveness Guidance or Field Operations.
- Information & Referral Activity	Standard.
- Human Services Program Specialist	Standard.
- Physical Development Program Specialist	Standard.
- Economic Improvement Program Specialist	Separate position; in smaller ROs, combined with other specialist positions.

CORE (cont.)	CLUSTER (cont.)
Effectiveness Guidance	Division; separate unit; positions as assistants to RD.
- Planning Officer	Separate position; combined with other positions such as Budget Officer or Program Analysis Officer.
- Budget Officer	Same.
- Program Analysis Officer	Same.
Field Operations Division	Standard.
Administrative Management Division	Standard.
- Financial Management	Standard.
- Grants Processing	Standard.
- Personnel	Standard.
- Property Management	Standard.
- Offices Services	Optional.

CSA REGIONAL OFFICE STAFF BREAKDOWN

Comparison of Existing and Proposed Staff Levels by Function.

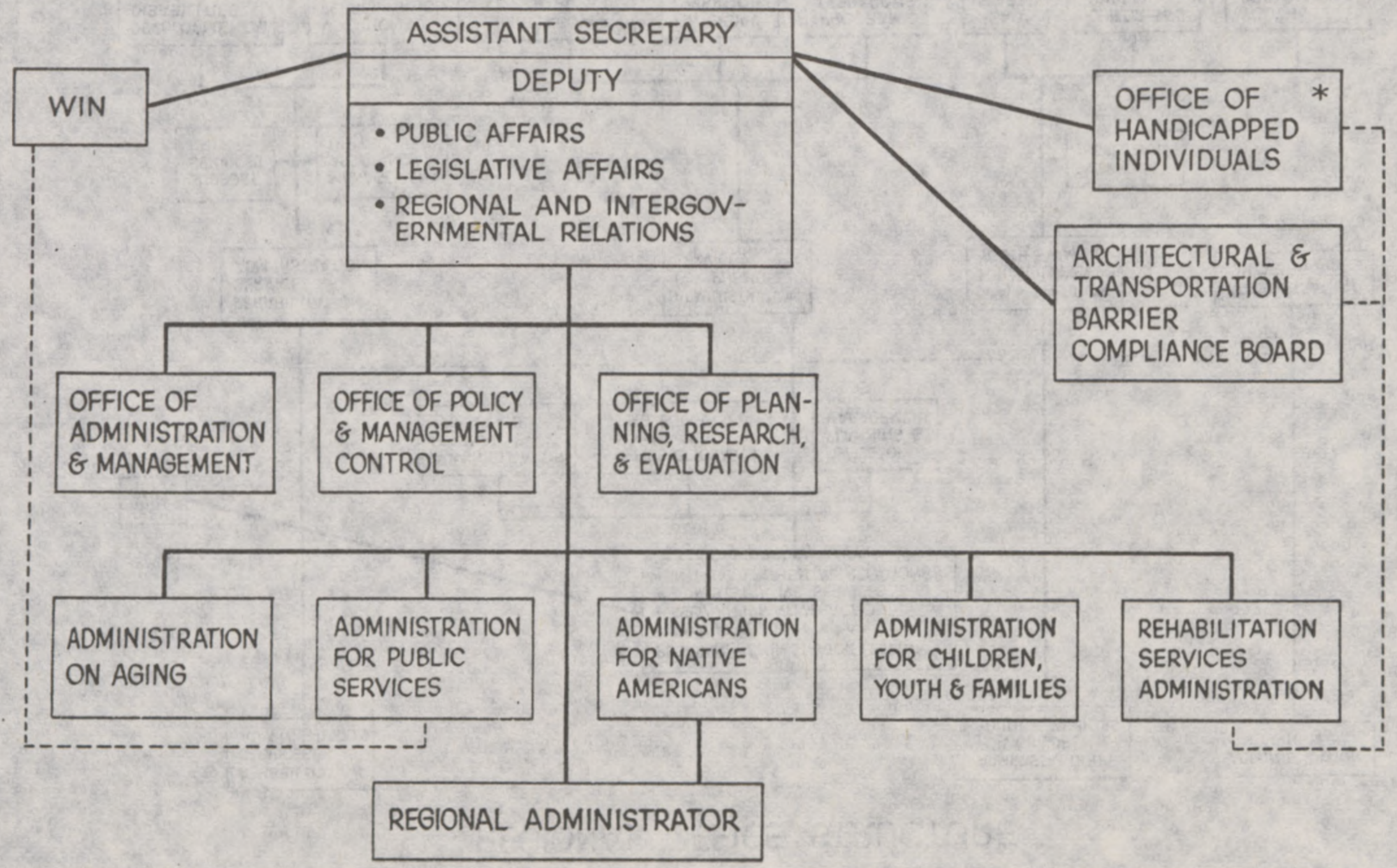
	Existing	Proposed	± %
Regional Director and immediate staff	76	82	+ 8%
Regional Counsel and Human Rights	46	62	+35%
Program Specialists and Evaluation	42	53	+26%
Administration	157	126	-20%
Field			
Supervisors	35	40	+14%
CSA Field Representative	163	198	+22%
Support	42	68	+61%
	561	637	+14%

This would permit lowering national grantee agency load per CAA Field Representative from the current 7.2 per rep to 6.1

Comparison of Existing and Proposed Staff Levels by Regions.

Region		Existing	Proposed	± %
I	Boston	42	53	+26%
II	New York	62	62	0%
III	Philadelphia	47	60	+28%
IV	Atlanta	86	94	+ 9%
V	Chicago	83	94	+13%
VI	Dallas	71	84	+18%
VII	Kansas City	47	49	+ 4%
VIII	Denver	34	39	+15%
IX	San Francisco	51	59	+16%
X	Seattle	38	43	+13%
		561	637	+14%

OFFICE OF HUMAN DEVELOPMENT SERVICES

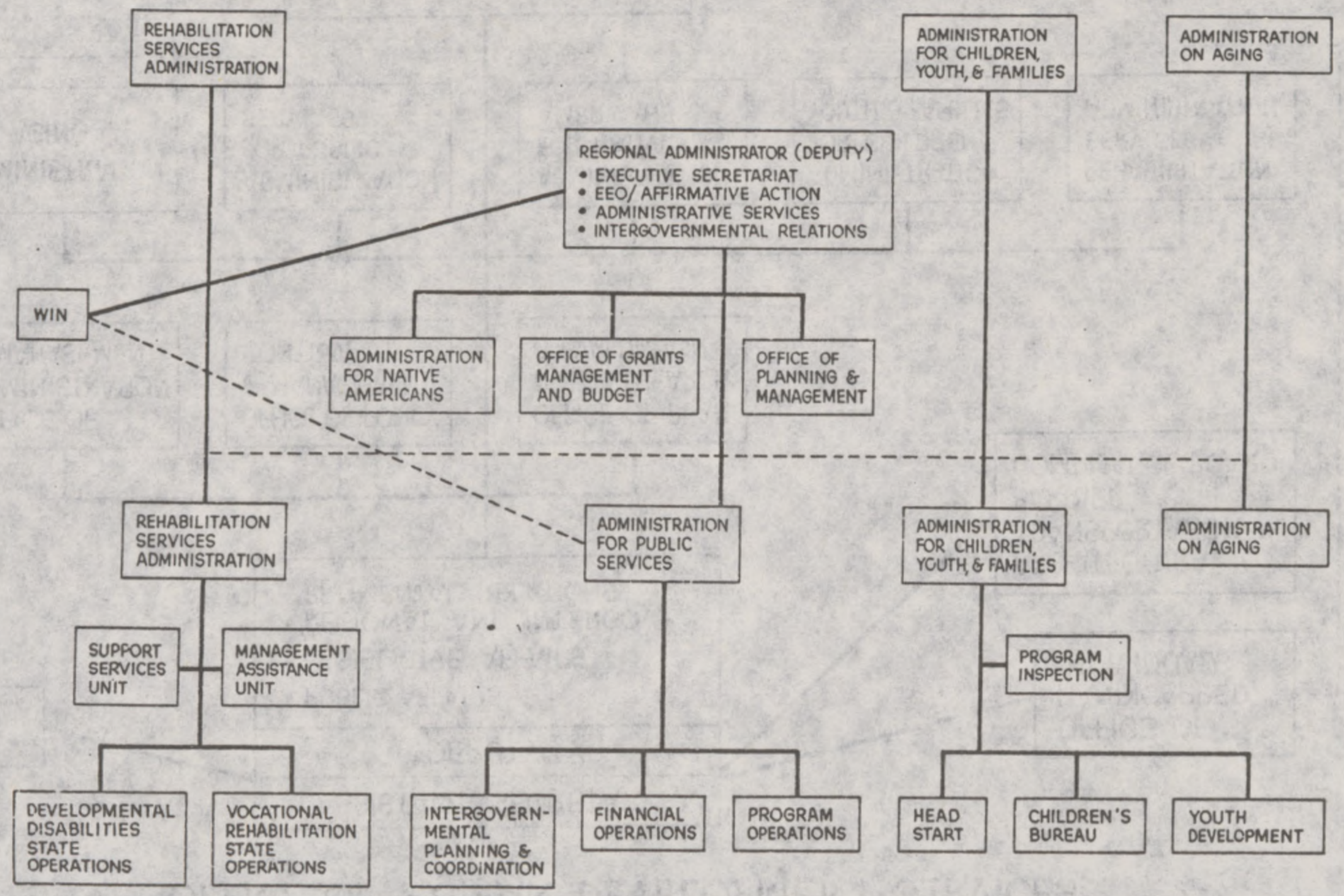


*Legislative changes will be sought to eliminate the need for a separate OHI reporting directly to the Assistant Secretary. Functions would be lodged in RSA, Office of Advocacy & Coordination.

HEW

OFFICE OF HUMAN DEVELOPMENT SERVICES

REGIONAL OFFICE STRUCTURE



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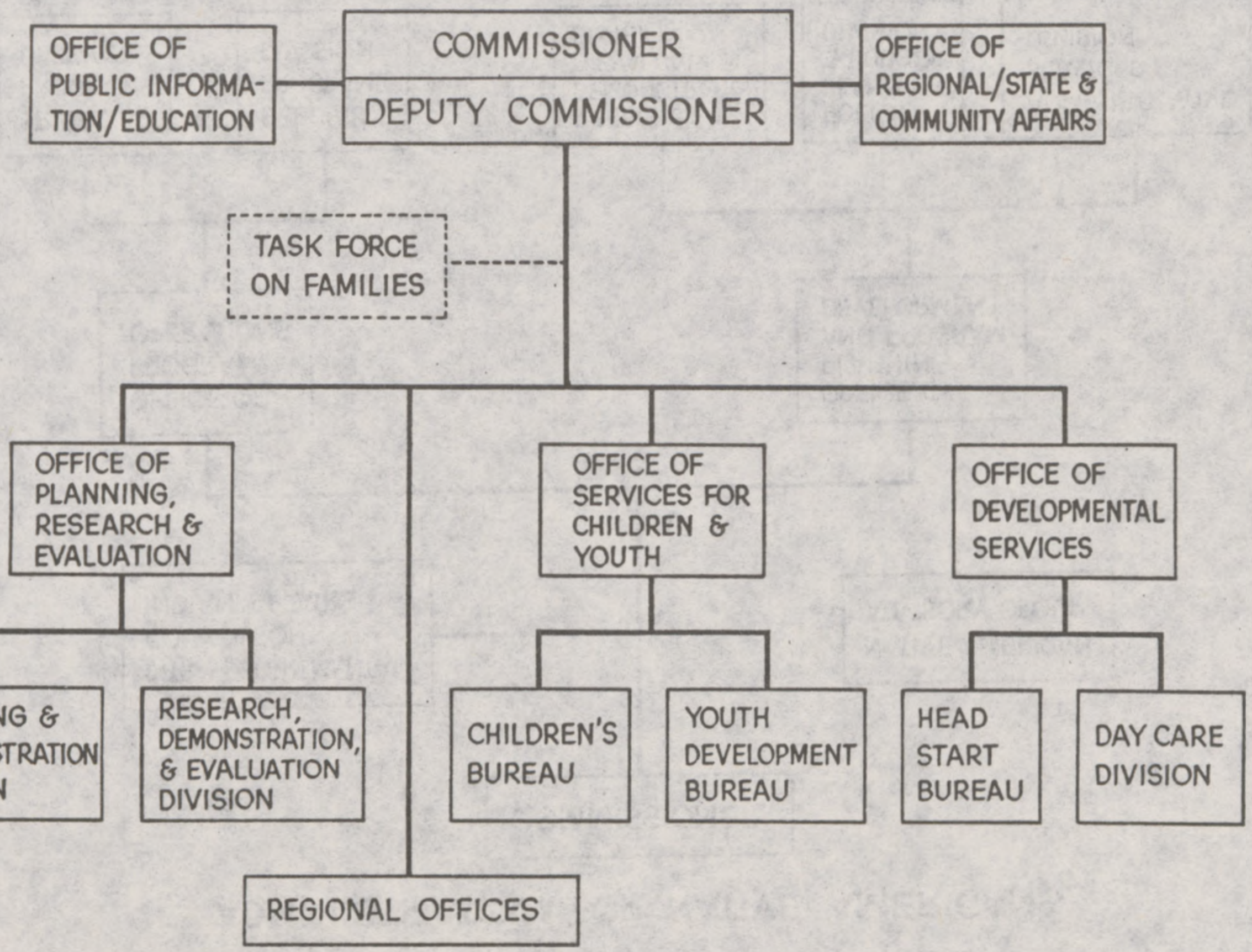
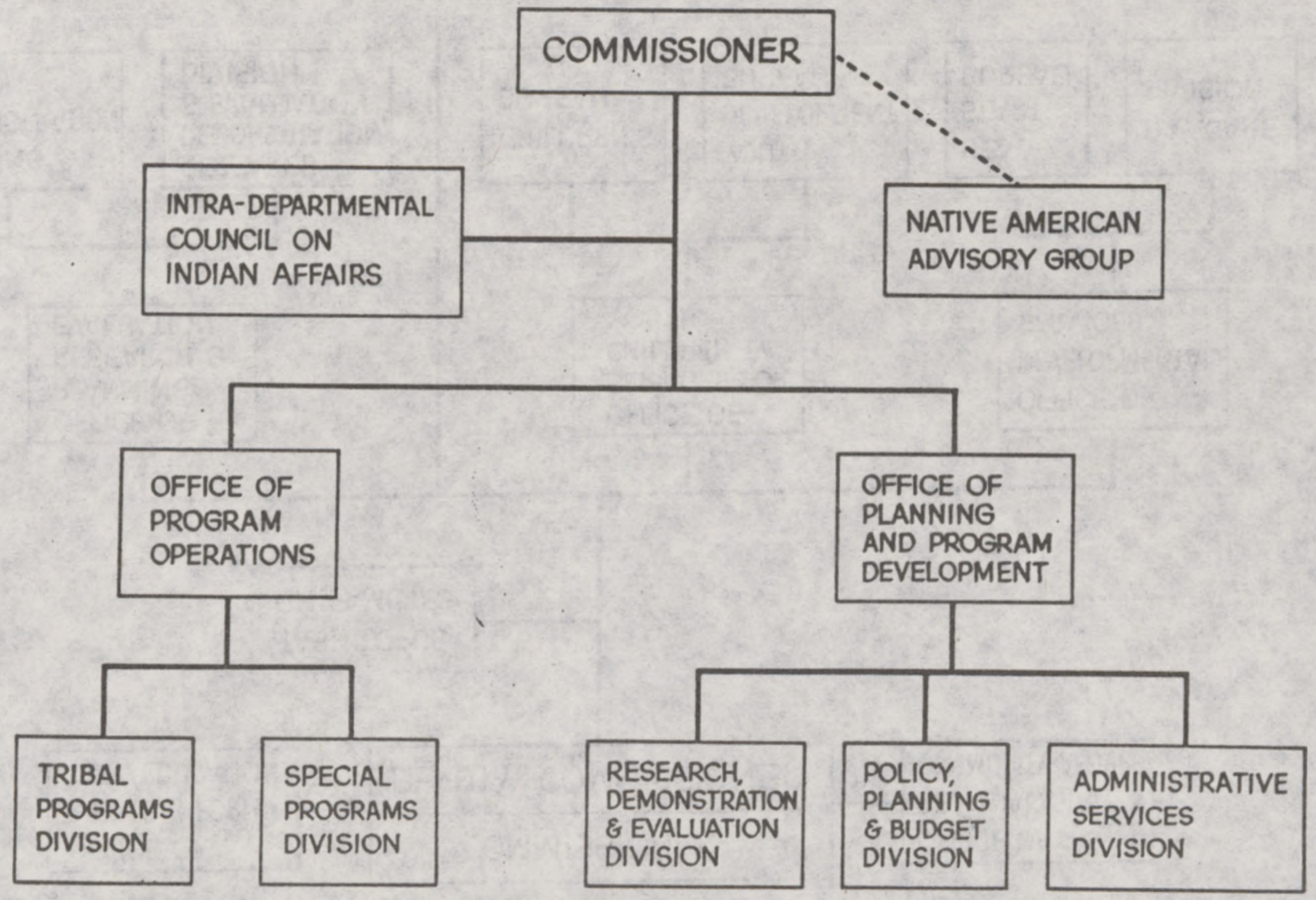
ADMINISTRATION FOR CHILDREN, YOUTH AND FAMILIES



HEW

ADMINISTRATION FOR NATIVE AMERICANS



Appendix F

CHRONOLOGY OF OEO/CSA DIRECTORS AND THEIR TERMS OF SERVICE

OEO/CSA - Directors

	Name	Term of Office
1.	R. Sargent Shriver	10/64 - 5/68
2.	Bertrand M. Harding *	5/68 - 5/69
3.	Donald Rumsfeld	5/69 - 12/70
4.	Frank C. Carlucci	1/71 - 9/71
5.	Welsey Hjornevik*	9/71 - 11/71
6.	Phillip V. Sanchez	11/71 - 1/73
7.	Howard Phillips*	1/73 - 6/73
8.	Alvin J. Arnett*	6/73 - 9/73
.	" " "	9/73 - 7/74
9.	Bert A. Gallegos*	7/74 - 12/74
	" " "	12/74 - 4/76
10.	Samuel Martinez	4/76 - 1/77
11.	Robert C. Chase*	1/77 - 4/77
12.	Graciela (Grace) Olivarez	4/77 -

* Acting Directors

OM:JB:3/8/78

Appendix G

CSA STANDARDS OF EFFECTIVENESS AND PROGRAM PERFORMANCE INSTRUCTIONS

CSA GUIDANCE 7850-1

WHAT ARE STANDARDS OF EFFECTIVENESS?

The term "Standards of Effectiveness" is derived from Section 901(b) of the Economic Opportunity Act of 1964 as amended which reads, in part:

> "The Director shall develop and publish general standards for evaluation of program and project effectiveness in achieving the objectives of this Act. The extent to which such standards have been met shall be considered in deciding whether to renew or supplement financial assistance authorized under any section of the Act...."

Standards of Effectiveness are management tools that enable the Community Services Administration (CSA) and its grantees to agree on common benchmarks for measuring program and/or project effectiveness.

Benchmarks can be but are not always graduated quantities. In the case of board compliance, it is a yes or no determination. This, too, is a legitimate form of measurement.

Grantees will be able to use the established benchmarks for internal management reporting systems and for required self-evaluations. CSA will use the same benchmarks to evaluate periodically program effectiveness from a national perspective. CSA also will look at the extent to which CAAs individually and collectively are meeting the goals they established to fulfill the published Standards and this review will greatly influence re-funding decisions.

Standards of Effectiveness fall into the following two distinct categories both with legislative derivation:

(1) General Standards which are derived from Title II, Section 201 and 223 of the Economic Opportunity Act of 1964 as amended. Section 201 provides flexibility for locally designed projects but contains specific objectives to be achieved by these programs and these objectives have become the first five Standards. Section 223 mandates an additional component to be included in all programs funded under PART A of Title II and has been translated into General Standard VI.

(2) Specific Standards which are derived from specific program authorities, i.e. programs in which funds provided by Congress must be spent for a specific purpose such as Senior Opportunities and Services mandated by Section 222(a)(7) of Title II. Appendices B through N of CSA Instruction 7850-1a list Specific Standards which must be used to justify proposed projects to be assisted with those specific program funds.

CSA ANNOUNCEMENT

SUBJECT: Monitoring and Reporting Program Performance
(Uniform Federal Standard)

ISSUANCE TRANSMITTED: CSA INSTRUCTION 6800-9

SUMMARY: The attached Instruction sets forth policy and procedures for monitoring and reporting program performance of grantees as prescribed by OMB Circular A-110 and FMC 74-7.

Filing Instructions for Issuance Transmitted: File in numerical sequence in standard looseleaf notebook containing other CSA Instructions and Notices.

DISCUSSION

The attached Instruction does not make major changes in the program progress reporting requirements previously imposed by OEO Instruction 7031-1 which is hereby susperseded. The routine submission dates have been changed to require submission 30 working days after completion of the second and fourth quarters of the grantee's program year but flexibility is provided to allow administering offices the option of requiring more frequent reporting under certain conditions; and CSA Form 440, Project Progress Report, has been revised to eliminate requirements for duplicative and unnecessary information and will now require only that information previously provided by the grantee in the narrative attachment to the Report.

Note that the PPR requirements now cover Section 231 grantees. However, this Instruction does not apply to grantees funded under Title VII. A separate Instruction will be issued at a future date to cover Title VII grantees; in the meantime existing program progress reporting procedures remain in effect.

COMMUNITY SERVICES ADMINISTRATION
WASHINGTON, D.C. 20506

Type of Issuance	Number
CSA INSTRUCTION	6800-9
Subject Monitoring and Reporting Program Performance (Uniform Federal Standard)	**Date** August 26, 1977
	Office of Primary Responsibility CA/P
Supersedes OEO Instruction 7031-1	**Distribution** ER, 10, 15, 35-4 45-1

EFFECTIVE: AUGUST 31, 1977

APPLICABILITY: This Instruction applies to all grants made to public and private organizations/agencies under Titles II. and III-B of the Economic Opportunity Act of 1964, as amended, when such assistance is administered by the Community Services Administration.

REFERENCES:

(1) OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations. (Attachment H)

(2) FMC 74-7, Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments. (Attachment I)

(3) OEO Instruction 6005-1, Participation of the Poor in the Planning, Conduct and Evaluation of Community Action Programs.

(4) OEO Instruction 6320-1, The Mission of the Community Action Agency.

(5) CSA Instruction 6710-1, Change 11, Applying for a Grant Under Title II, Sections 221, 222(a), and 231 of the EOA.

(6) OEO Instruction 7501-1, Role of the State Economic Opportunity Offices.

(7) CSA Instruction 7850-1a, Standards for Evaluating the Effectiveness of CSA Administered Programs and Projects.

1. PURPOSE

The purposes of this Instruction are to set forth the procedures for monitoring and reporting program performance of grantees as prescribed by references (1) and (2) above and to communicate CSA's specific requirements in these areas.

(PUBLISHED IN THE FEDERAL REGISTER, AUGUST 31, 1977)

2. STANDARD

a. Monitoring Responsibilities (Grantee)

Grantees shall monitor their performance under grants and other agreements and, where appropriate, ensure that time schedules are being met, projected work units by time periods are being accomplished, and other performance goals are being achieved. This review shall be made for each project, function, or activity of each agreement as set forth in the approved application or award document.

Grantees shall submit a performance report for each agreement that briefly presents the following information for each project, function, or activity involved as prescribed by CSA.

(1) A comparison of actual accomplishments with the goals established for the period, the findings of the investigator, or both. If the output of programs or projects can be readily quantified, such quantitative data should be related to cost data for computation of unit costs.

(2) Reasons why established goals were not met.

(3) Other pertinent information including, where appropriate, analysis and explanation of cost overruns of high unit costs.

(NOTE: See CSA's implementing regulations (Attachment A to this Instruction) for further details.)

b. Submission of Performance Reports

The Uniform Federal Standards require, except as provided in (1), (2), and (3) below, that grantees shall submit performance reports to CSA covering the same reporting period as the Financial Status Reports. CSA will require that performance reports be submitted to cover the same period as the financial reports but ordinarily with less frequency. (See Attachment A for frequency of reports and reporting dates.) CSA will also require a final performance report for grants with a fixed termination date. However, neither CSA nor any other Federal sponsoring agency may require reports more frequently than quarterly or less frequently than annually.

CSA may waive the requirement that performance reports be submitted with the financial reports under the following circumstances:

(1) When the grantee is required to submit a performance report with a continuation or renewal application.

(2) When CSA determines that on-site technical assistance and certified completion data will be sufficient to evaluate construction projects.

(3) When CSA finds it necessary to get an annual progress report on a calendar basis although its usual submission requirements are based on the grantee's program year or other funding period.

c. Special Reporting Requirements (Grantee)

Between the required performance reporting dates, events may occur that have significant impact upon the project or program. In such instances, the grantee shall inform the appropriate CSA administering office by letter as soon as the following types of conditions become known:

(1) Problems, delays or adverse conditions that will materially affect the ability to attain program objectives, prevent the meeting of time schedules and goals, or preclude the attainment of project work units by established time periods. This disclosure shall be accompanied by a statement of the action taken, or contemplated, and any Federal assistance needed to resolve the situation.

(2) Favorable developments or events that enable time schedules to be met sooner than anticipated or more work units to be produced than originally projected.

If any performance review conducted by the grantee discloses the need for change in the budget estimates in accordance with the criteria established in CSA Instruction 6800-11, the grantee shall submit a request for budget revision.

d. On-Site Review (CSA)

CSA will make site visits as frequently as practicable to:

(1) Review program accomplishments and management control systems; and

(2) Provide such technical assistance as may be needed.

GRACIELA (Grace) OLIVAREZ
DIRECTOR

ATTACHMENTS
A-CSA Implementing Policies and Procedures
B-Sample CSA Form 440

CSA IMPLEMENTING POLICIES AND PROCEDURES

1. Policy

CSA would like to see its grantees established as independent, self-reliant and viable institutions within their communities. At the same time it recognizes a need for strengthening the accountability of grantees both to their communities and to CSA as the funding agency.

CSA believes that regular internal self-assessments of project progress conducted by or under the direction of the grantee board or governing officials are essential to the effective operation of community-based anti-poverty programming and requires that grantees report the results of such self-assessments to the appropriate CSA Administering Office. (See item 3 of this Attachment.)

2. What is a Project Progress Review ?

A Project Progress Review (PPR) is the last link in closing the circle which includes planning, grant application, and implementation. A Project Progress Review requires that a grantee look both to the past and to the future -- to the past to the conditions which existed before applying for CSA funds, what the board said it was going to do in the application for funds in order to deal with those conditions, and what has been done; and to the future to determine how the information gathered in the Review and the conclusions reached can be used to revise the goals for the remainder of the Program Year if necessary and/or affect the work program for the coming Program Year(s).

a. Definition

A Project Progress Review (PPR) is a process carried out by a grantee in order to determine:

(1) what has been accomplished in meeting the locally set goals as shown in the grantee's work program;

(2) the extent to which the grantee is achieving the broad purposes of community action as set forth in the Economic Opportunity Act and, for CAAs, the "Mission of the Community Action Agency";

(3) the extent to which the grantee is meeting the general and specific standards of effectiveness described in CSA Instruction 7850-1a; and

(4) how efficiently grantee planning, project management and overall administration is carried out in addressing the problems of poverty.

b. What a PPR System Should Contain

The grantee Board of Directors or Governing Officials should assure that the grantee has developed a project review system that contains, at a minimum, the following:

(1) a clear statement of the roles of all participants in the Review process, i.e. the Board itself (or governing officials, where appropriate), the executive director, other grantee staff, policy advisory committee(s), target area residents, and the community-at-large;

(2) the assignment of responsibilities and allocation of resources for designing the Review, gathering the information and analyzing it, developing the final report(s), and deciding how the findings will be used in making decisions;

(3) an adequate system for routinely collecting data which can be useful in the Reviews;

(4) a description of how the findings and recommendations from the reviews will be used in making or planning changes to on-going or future projects and to improve the management of these projects and the agency as a whole; and

(5) a schedule for holding regular Project Progress Reviews and special reviews of issues and projects that are or have become a priority in the Community.

Board members should actively participate in each Project Progress Review. In addition, the poor must also be involved in all phases including the preparation and review of the PPR reports. (See reference (3).)

3. How and When to Submit Reports

a. Reporting Format

Grantees will prepare reports using CSA Form 440. (See Attachment B.) Each PPR report will provide an analysis of accomplishments in relation to each goal on the grantee's currently approved work program and will detail problems, planned changes and training and technical assistance needs. In addition, effectiveness of each goal will be assessed by relating the progress made toward achieving the goal to the appropriate Standard(s) of Effectiveness.

Grantees funded under Section 232 may be requested by the Administering Office to prepare a report in narrative form instead of using CSA Form 440.

In such cases the requirement will be included as a Special Condition attached to the grant. These Conditions will also detail the information required which will include, at a minimum, a comparison of actual accomplishments with goals of the work program and an assessment of effectiveness.

b. Frequency

(1) Submission Dates

Except as indicated in (2) and (3) below each grantee is responsible for submitting to the appropriate CSA Administering Office a semi-annual and an annual Project Progress Report. Reports will be submitted 30 working days following the end of the second and fourth quarters of the grantee's Program Year of Program Account 01. (If not funded for PA 01, grantee should use its highest funded Program Account as a reference point for submission of PPR reports.)

Administering Offices and grantee officials may jointly agree in writing to adjustments in the above reporting dates where this will make local progress review more meaningful and supportive of the mutual program direction and review objectives of the grantee and Administering Office. Also the Administering Office may reduce the frequency of reporting. However, except when the grantee requests otherwise, the period covered by the PPR must always conform to that covered by the financial reports.

(2) Grants With Termination Dates

If a grant has a termination date, the grantee also is responsible for filing a final Project Progress Report within 90 calendar days following the termination date.

(3) Special Requirement

There may be instances where more frequent reporting will be required, e.g. in the cases of developmental grants; when the grantee has a history of poor performance; etc. In these instances the funding office may require, as a condition of the grant, that Project Progress Reports be filed on a quarterly basis. However, in keeping with the Standards, reporting can not be required more frequently than quarterly unless an exception is obtained by CSA (Headquarters) from OMB.

It should be noted that more frequent reporting is NOT intended to be imposed routinely but rather on an exception basis such as when the circumstances noted above exist.

c. Number of Copies

One copy of the report is to be sent to the appropriate CSA Administering Office. (Grantees receiving grants administered by both a Regional Office and a Headquarters Program Office will send a copy of the PPR to each). Additionally, grantees receiving funds under Sections 221 and 222(a) of the Act shall send one copy to the appropriate SEOO for information.

4. AVAILABILITY OF CSA FORM 440

Supplies of CSA Form 440 may be ordered from:

CSA Distribution Center
49 "L" Street, S. E.
Washington, D. C. 20003

COMMUNITY SERVICES ADMINISTRATION
PROJECT PROGRESS REVIEW REPORT

(Check applicable box)
☐ 1st Qtr. ☐ ANNUAL
☒ 2nd Qtr.
☐ 3rd Qtr. ☐ FINAL

Reserved for OMB Approval

DATE SUBMITTED

NAME OF GRANTEE

GRANTEE NO.

PROGRAM ACCOUNT

PROJECT TITLE

Information, Referral and Follow-up

PROJECT GOAL --To provide outreach, referral and follow-up services to 650 low-income target area residents using neighborhood center staff, Policy Advisory Committees and minimum of 25 volunteers.

STANDARD(S) OF EFFECTIVENESS (No.)

A-II, III, IV, V

1. ACCOMPLISHMENTS

A. MEASURABLE --During this period, 30 volunteers assisted CAA in performing outreach and home visitations. Overall, information on community programs was given directly to 500 residents; 350 were referred to other organizations for assistance; follow-up was conducted on 200 of these.

B. NON-QUANTIFIABLE --The County Department of Human Services has formally requested the CAA to perform outreach for Title XX, Community Development and Food Stamp programs. CAA is doing preliminary eligibility screening for these programs to speed up processing. County-wide computerized I&R system is being considered by County Commission.

2. PROBLEMS

Low attendance at Policy Advisory Committee meetings. No quorum for three of last four meetings. Three PAC positions are vacant. Follow-ups hampered by (a) inadequate record-keeping in two centers and (b) lack of travel funds.

3. PLANNED CHANGES *

Elections will be held early next month to fill vacant PAC positions. After this SEOO will conduct training for PAC members on their roles and responsibilities. Recordkeeping system is being computerized to facilitate client "tracking." Budget is being revised to allocate more funds to travel.

4. TRAINING & TECHNICAL ASSISTANCE NEEDS *

Outreach supervisors need training in planning center activities. PAC members need motivation; contact with Federal officials would help.

5. ASSESSMENT OF EFFECTIVENESS

Service delivery remains generally efficient (Standard A- II) but lack of participation by low-income (Std A-III) causes concern. Greater involvement of volunteers (Stds A-IV and A-V) has improved CAA's "image" in community.

* Do not complete when filing final report or in annual reports for individual projects which will not be refunded.

CERTIFICATION

The undersigned certifies that this report has been completed in accordance with applicable instructions; that it is true to the best of his/her knowledge, information and belief; and that it has been approved, or reviewed and approved, as indicated in Item 6, below.

6. THIS REPORT HAS BEEN *(Check appropriate box.)*
☐ APPROVED BY GRANTEE'S GOVERNING BOARD
☐ REVIEWED BY GRANTEE'S ADMINISTERING BOARD AND APPROVED BY ITS GOVERNING OFFICIALS

7. DATE OF APPROVAL

8. TYPED NAME & TITLE OF PRINCIPAL GOVERNING OFFICIAL OR PRINCIPAL OFFICER OF GOVERNING BOARD

9. SIGNATURE

10. DATE

CSA FORM 440 (REV. JUL 77) (REPLACES OEO FORM 440, DATED AUG 72, WHICH IS OBSOLETE.)

CSA INSTRUCTION 6800-9
ATTACHMENT B

INSTRUCTIONS FOR COMPLETING CSA FORM 440

There should be a brief report for each project goal listed on the approved CSA Form(s) 419. Therefore, there should be a separate CSA Form 440 for each goal. (NOTE: The annual report also should give a separate summary for the entire program year for the project as a whole in addition to progress toward each goal. In this case, mark SUMMARY in the Project Goal box.)

In addressing topics 1 through 5 on the Form 440, the following information should be included for each goal;

Item	
1. Accomplishments	
a. Measurable -	Describe achievements in relation to approved goals in measurable terms; include unanticipated benefits to community or target groups,
b. Non-quantifiable -	Give brief description on non-quantifiable accomplishments.
2. Problems -	Reasons for failure to reach project goals.
3. Planned Changes 1/ -	Indication of planning or project management changes scheduled as a result of PPR analysis.
4. Training and Technical Assistance Needs 1/ -	Description of assistance needed from CSA or other sources.
5. Assessment of Effectiveness	Assessment of grantee status with respect to general and/or specific standards of effectiveness applicable to this goal. Appraise effectiveness in light of costs and other uses of resources.
6-10 (Certification section)	Complete this section on page 1 only of your report.

1/ Do not complete when filing final or annual reports for individual projects which will not be continued or renewed in the next Program Year.

Appendix H

THE HEADSTART FUNDING FORMULA

25-371 O - 78 - 19

THE LIBRARY OF CONGRESS
Congressional Research Service

WASHINGTON, D.C. 20540

DISTRIBUTION OF FORMULA GRANT FUNDS UNDER THE HEADSTART PROGRAM

This report includes a discussion of the difference in procedure and impact of distribution of Headstart funds for FY 1978 as projected by the Administration on Children, Youth, and Families and as required by law. This report is a revision of the report published in the Congressional Record of September 27, 1977. It reflects later information gained in part through oversight hearings on this subject held by the Education and Labor Committee - Subcommittee on Equal Opportunity on September 27, 1977. The table included uses data sources agreed upon by CRS and ACYF for computation of State allotments.

I. Current Law and Department of Health, Education, and Welfare Procedures

The law governing the allocation of Headstart funds among the States is contained in sec. 513(a) of P.L. 93-644. The Headstart, Economic Opportunity, and Community Partnership Act of 1974. This subsection reads as follows:

"ALLOTMENT OF FUNDS: LIMITATIONS ON ASSISTANCE

"SEC. 513. (a) Of the sums appropriated pursuant to section 512 for any fiscal year beginning after June 30, 1975, the Secretary shall allot not more than 2 per centum among Guam, American Samoa, the Trust Territory of the Pacific Islands, and the Virgin Islands, according to their respective needs. In addition, the Secretary shall reserve not more than 20 per centum of the sums so appropriated for use in accordance with such criteria and procedures as he may prescribe. The remainder shall be allotted among the States, in accordance with the latest satisfactory available data, so that equal proportions are distributed on the basis of (1) the relative number of public assistance recipients in each State as compared to all States, and (2) the relative number of related children living with families with incomes below the poverty line in each State as compared to all States; but there shall be made available, for use by Headstart programs within each State, no less funds for any fiscal year than were obligated for use by Headstart programs within such State with respect to fiscal year 1975. Allocation of such increases within each State shall, to the extent feasible, be made in such manner as to reflect the proportionate increases in program costs incurred by grantees, in accordance with regulations which the Secretary shall prescribe for this purpose. For the prupose of this subsection, the Secretary shall utilize the criteria of poverty used by the Bureau of Census in compiling the 1970 decennial census."

According to the plain meaning of the statutory language, CRS believes the correct procedural steps for implementing this section are as follows:

1. Determine the amount of the appropriation to be used for the outlying areas, subtract and set this aside for that purpose. The law gives the Secretary the authority to determine this amount as long as it does not exceed 2 percent of the total appropriation.

2. Determine the amount of the appropriation to be reserved for discretionary purposes by the Secretary, and subtract this amount from the total. The law gives the Secretary the authority to determine this amount as long as it does not exceed 20 percent of the total appropriation.

3. Distribute one-half of the remainder among the States based on the relative number of public assistance recipients in each State compared to all States. Distribute the other half of the remainder among the States based on the relative number of related children living with families with incomes below the poverty line in each State as compared to all States.

4. If after the above step any State has less than the amount obligated for use by Headstart programs in the State for FY 1975, such States are increased to the FY 1975 level and States with amounts over their 1975 amounts are proportionately reduced to provide the amount needed to raise all States to their 1975 amounts.

5. Funds reserved by the Secretary (in step 2 above) may be used in accordance with criteria and procedures established by the Secretary. Such funds, or any proportion thereof, may be distributed to the States in accordance with such criteria and procedures of the Secretary.

The above procedures, steps 1 - 4 have been used by the Congressional Research Service in the Headstart allocation tables it has prepared for this report. We have withheld $2,500,000 (the amount projected by ACYF) for the outlying areas and the Secretary's full reserve of 20 percent. None of this latter reserve has been distributed to the States. Therefore the amounts shown in the CRS tables represent what would be the minimum amount any State should receive under the formula in the law for the specified appropriation amount available for formula distribution. The minimums would be higher if the Secretary chose to reserve less than the amounts indicated.

According to information provided to CRS by responsible officials in the DHEW Office of Child Development on September 23, 1977, the Department had not followed the above procedures in its planned allocation of headstart formula funds for FY 1978. According to the latest data presented by ACYF, the amount of the 1975 obligations in States for Headstart was at least equal to the amount of formula funds for FY 1976 and 1977 so that the formula could not be used. However, since the appropriation level for the Headstart program has been significantly increased (from $475 to 625 million) for fiscal year 1978,application of the formula is required.

In providing estimates for the Committee on Education and Labor the ACYF informed us that their projected method of distributing Headstart funds for FY 1978 were as follows:

1. Beginning with an estimated $625 million appropriation, they set aside $2.5 million for the outlying areas.

2. They subtracted 20 percent of $625 million and set this aside as the Secretary's reserve.

3. From the remaining funds (to which the formula should apply) they then subtracted amounts to provide each State with the amount obligated in the State in FY 1975.

4. The remaining formula funds ($119 million) were then distributed according to the formula in the law. This amount for each State was added to each State's FY 1975 hold-harmless amount.

Further funds from the Secretary's reserve were awarded to the States in the following manner and added to the above amounts:

5. Where necessary, each State was given an additional amount so that each State would receive 6 percent more than its FY 1977 amount.

6. From approximately $40 million set aside for this purpose, each State received an amount proportionate to its proportionate share of the amount distributed in steps 3 - 5, except that each State received at least enough for each project grantee to expand by one classroom of 15 children.

The error in this procedure is in step 3 where the FY 1975 "hold-harmless" amounts were held out from the formula grant monies. The effect of this error is to make the FY 1975 "hold-harmless" an additional amount to the formula distribution rather than part of it. Under this procedure all States receive amounts greater than those received in FY 1975. If the formula in law were utilized, all States would not necessarily receive more than their FY 1975 amounts. Other States would then, of course, receive less than due them under the formula.

Steps 5 and 6 above allocate funds from the Secretary's reserve which are discretionary by law. These steps were presumably taken at least in part to comply with the language in the report of the Senate Committee on Appropriations on the FY 1978 appropriation legislation.*

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*The above observations as to the correct, legal method of distributing Head-start funds have been reviewed and concurred in by David M. Ackerman, Legislative Attorney in CRS, American Law Division.

Impact of OCD Distribution of Headstart Funds Under the Current Formula for 1978 Projections

The attached table 1 represents a comparison of the allotments which would be available to the States for Headstart programs under the formula in current law as computed by CRS and as distributed by the Administration on Children, Youth and Families. A perusal of this table shows that according to ACYF projections, 16 States would actually receive less than the minimum amounts required by the law as computed by CRS.

STATES RECEIVING LESS THAN MINIMUM AMOUNT
AS REQUIRED BY THE ALLOTMENT FORMULA

States	Amount under minimum as projected by ACYF
Arizona	$ 925,688
California	8,186,154
Connecticut	1,109,004
Georgia	1,315,332
Illinois	4,254,464
Maryland	613,718
Massachusetts	1,001,489
Michigan	6,855,603
New Jersey	714,901
New York	1,925,815
Ohio	4,007,787
Oregon	897,557
Pennsylvania	4,339,808
Rhode Island	148,968
South Dakota	107,463
Wisconsin	581,046

As a result of ACYF's method of distributing funds, those States whose 1975 hold-harmless levels were significantly higher than what would have been available to them if the allotment formula had been in force at that time get a higher amount of funds than due them under the formula. These funds are obtained by reducing the amounts to those States whose 1975 hold-harmless levels more closely approximated the current allotment formula.

Grants made to projects in the States for Headstart programs in 1975 were not arrived at through the use of the current allotment formula, and therefore, did not necessarily relate to the number of public assistance recipients and children in poverty. By deleting the hold-harmless amounts from the funds appropriated and distributing only the remaining funds according to the allotment formula OCD further perpetuates whatever imbalance may have existed in 1975 with regard to the distribution of funds in relation to poverty and public assistance populations in each of the States.

In summary, CRS believes that DHEW's projections for FY 1978 Headstart allocations to the States would not be in accordance with the law because of incorrect treatment of the FY 1975 hold-harmless amounts. Continuation of this method of distribution of FY 1978 funds at the $625 million level would deprive 16 States of the minimum amounts they are entitled to under the current allotment formula which appears to be a violation of the law.

At the aforementioned oversight hearings, the Government Accounting Office concurred with the opinion of the Congressional Research Service as to the legal interpretation of the Headstart allotment formula in the law.

Jean Yavis Jones
Education and Public Welfare Division
November 14, 1977

ALL FORMULAS ASSUME A TOTAL ALLOCATION LEVEL OF $ 625,000,000. OUT OF THIS ALLOCATION IS TAKEN 20% ($ 125,000,000) AS A DISCRETIONARY FUND AND $ 2,500,000 FOR TERRITORIES, LEAVING $ 497,500,000 TO BE DISTRIBUTED.
THE CURRENT FORMULA IS CALCULATED AS A TWO-PART FORMULA WITH STATE ALLOCATIONS TO BE HELD HARMLESS AT THEIR FY'75 LEVEL. PART 1 IS BASED ON THE NUMBER OF PUBLIC ASSISTANCE RECIPIENTS (DEFINED BY ACYF AS AFDC RECIPIENTS AS REPORTED IN FEB 1977). PART 2 IS BASED ON THE NUMBER OF CHILDREN IN POVERTY (DEFINED BY ACYF AS THE NUMBER OF POVERTY CHILDREN AGES 0-5 IN THE 1975 SURVEY OF INCOME AND EDUCATION (SIE)).
THE ACYF METHOD TAKES THE FY'75 ALLOCATION AS A BASE AND THEN ADDS ALL REMAINING NON-DISCRETIONARY FUNDS ACCORDING TO THE PUBLIC ASSISTANCE AND POVERTY CHILDREN FACTORS.
ALL DATA ARE SHOWN IN THE TABLE.
POVERTY DATA FOR PUERTO RICO ARE TAKEN FROM 1970 CENSUS FIGURES.

	STATE	AFDC RECIPS	POVCHIL 0-5	FY'75 ALLOC	CURRENT LAW	ACYF METHOD	EFF OF ACYF
1	ALABAMA	166899	84230	11391000	11391000	13665331	2274331
2	ALASKA	10991	3890	1511887	1511887	1634338	122451
4	ARIZONA	57463	54420	2428000	4555930	3630242	-925688
5	ARKANSAS	95911	53710	5758000	5758000	7152478	1394478
6	CALIFORNIA	1450875	319440	27977067	49127136	40940982	-8186154
8	COLORADO	92305	29000	5390660	5390660	6358521	967861
9	CONNECTICUT	134522	33140	2406000	4775074	3666071	-1109004
10	DELAWARE	31700	6330	1096000	1096000	1368538	272538
11	DISTRICT OF COLUMBIA	95302	11240	3177755	3177755	3868636	690881
12	FLORIDA	244050	141480	13557410	13747181	17185085	3437904
13	GEORGIA	251864	124840	8154327	12864375	11549043	-1315332
15	HAWAII	55710	10920	2128779	2128779	2604369	475590
16	IDAHO	19829	12490	1329000	1329000	1640153	311153
17	ILLINOIS	778512	199060	16422192	28088894	23834430	-4254464
18	INDIANA	167104	59860	6314000	7099818	8187236	1087718
19	IOWA	96200	26170	3504000	3569178	4445853	876674
20	KANSAS	76798	21300	3495000	3495000	4253625	758625
21	KENTUCKY	212810	69940	10807669	10807669	13089877	2282208
22	LOUISIANA	220177	98540	9797000	10583869	12589925	2006055
23	MAINE	60390	14620	1973000	2127560	2534431	406871
24	MARYLAND	216959	42490	4551212	7016472	6402754	-613718
25	MASSACHUSETTS	376217	75120	8021000	12256902	11255413	-1001489
26	MICHIGAN	656021	130580	8858369	21347170	14491567	-6855603
27	MINNESOTA	133894	41390	4637800	5278015	6030589	752574
28	MISSISSIPPI	175270	78640	37082000	37082000	39308550	2226550
29	MISSOURI	271126	67310	9547000	9656367	12095171	2438804
30	MONTANA	18775	11600	1388000	1388000	1678885	290885
31	NEBRASKA	34173	18610	2157250	2157250	2645413	488163
32	NEVADA	12363	8070	596000	752828	794660	41832
33	NEW HAMPSHIRE	25219	8780	1015000	1055620	1293562	237942
34	NEW JERSEY	447335	99990	10503976	15240628	14525727	-714901
35	NEW MEXICO	55851	30770	2895000	3045576	3698682	653106
36	NEW YORK	1240749	221410	26618645	38777176	36851361	-1925815
37	NORTH CAROLINA	202057	94920	11255000	11255000	13892111	2637111
38	NORTH DAKOTA	13617	6550	520000	683046	700246	17199
39	OHIO	571857	180070	12737447	22748122	18740336	-4007787
40	OKLAHOMA	90264	46770	6634000	6634000	7884077	1250077
41	OREGON	124389	28020	2231981	4251426	3353869	-897557
42	PENNSYLVANIA	659604	147890	12223471	22900940	18161132	-4339808

ALL FORMULAS ASSUME A TOTAL ALLOCATION LEVEL OF $ 625,000,000. OUT OF THIS ALLOCATION IS TAKEN 20% (= 125,000,000) AS A DISCRETIONARY FUND AND $ 2,500,000 FOR TERRITORIES, LEAVING $ 497,500,000 TO BE DISTRIBUTED.

THE CURRENT FORMULA IS CALCULATED AS A TWO-PART FORMULA WITH STATE ALLOCATIONS TO BE HELD HARMLESS AT THEIR FY'75 LEVEL. PART 1 IS BASED ON THE NUMBER OF PUBLIC ASSISTANCE RECIPIENTS (DEFINED BY ACYF AS AFDC RECIPIENTS AS REPORTED IN FEB 1977). PART 2 IS BASED ON THE NUMBER OF CHILDREN IN POVERTY (DEFINED BY ACYF AS THE NUMBER OF POVERTY CHILDREN AGES 0-5 IN THE 1975 SURVEY OF INCOME AND EDUCATION (SIE)).

THE ACYF METHOD TAKES THE FY'75 ALLOCATION AS A BASE AND THEN ADDS ALL REMAINING NON-DISCRETIONARY FUNDS ACCORDING TO THE PUBLIC ASSISTANCE AND POVERTY CHILDREN FACTORS.

ALL DATA ARE SHOWN IN THE TABLE.

POVERTY DATA FOR PUERTO RICO ARE TAKEN FROM 1970 CENSUS FIGURES.

	STATE	AFDC RECIPS	POVCHIL 0-5	FY'75 ALLOC	CURRENT LAW	ACYF METHOD	EFF OF ACYF
43	PUERTO RICO	191998	268000	15315000	20607432	20752993	145561
44	RHODE ISLAND	53593	10890	1145000	1757834	1608866	-148968
45	SOUTH CAROLINA	140393	56910	6857000	6857000	8540201	1683201
46	SOUTH DAKOTA	23785	10750	739000	1149905	1042443	-107463
47	TENNESSEE	189670	69290	9476620	9476620	11625364	2148744
48	TEXAS	318291	258210	17957161	22534285	23903621	1369337
49	UTAH	36796	18800	1540000	1914509	2045210	130701
50	VERMONT	23254	8520	1132875	1132875	1396727	263852
51	VIRGINIA	174407	58770	6399000	7178501	8293299	1114798
53	WASHINGTON	146036	43200	4851875	5635196	6338919	703722
54	WEST VIRGINIA	65941	34220	5275006	5275006	6189103	914097
55	WISCONSIN	205280	53640	4923991	7478502	6897456	-581046
56	WYOMING	6632	4610	751000	751000	862202	111402
	FEDERAL TOTAL	11221228	3609410	378455425	497499998	497500003	-1

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COMMITTEE ON EDUCATION AND LABOR

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November 30, 1977

The Honorable Joseph Califano
Secretary of Health, Education and Welfare
Washington, D. C. 20201

Dear Mr. Secretary:

As you know, during our Committee's mark-up of legislation to extend the Economic Opportunity Act, serious questions arose regarding the distribution among the states of Headstart appropriations. As a result -- and understandably -- there is considerable uncertainty throughout the country as to the status of existing Headstart programs.

Initially, there was considerable disagreement over how to interpret and apply the statutory formula established in 1975 for the application of Headstart moneys. It now appears that there is agreement among all interested parties who have worked on this issue on precisely how the formula is to be interpreted and applied.

However, under the agreed upon interpretation of the formula with respect to FY 1978 appropriations, thirty states will receive less than they did last year despite the fact that appropriations for FY 1978 exceed the FY 1977 level by $150,000,000. None of us would want any state to suffer in this way. At the same time, we have had great difficulty in reaching agreement on how to resolve this matter. We recognize, however, that this is a critical issue and a decision must be made now. We have accordingly worked out an agreement which is not all that each of us would have preferred. It is a compromise however which we believe is workable.

Our agreement is as follows:

Step One

Of the sums appropriated for FY 1978, up to 2% will be withheld for allocation to the Territories. Up to 20% of the appropriation may then be reserved for discretionary funding. Of the remaining money, one-half is to be distributed on the relative number of children living with families below the poverty line in each state as compared to all the states; and one-half on the basis of the relative number of public assistance recipients in each state as compared to all the states -- except that no state is to be allocated less than it received in FY 1975.

Step Two

For those states whose FY 1978 entitlements in Step One are less than their actual FY 1977 allocation, funds from the Secretary's discretionary reserve are to be used to bring such states up to the level of their FY 1977 allocations. Column IV of the attached chart shows the proposed FY 1978 entitlements after Steps One and Two have been completed.

Step Three

Additional discretionary moneys are to be used to give every state a 6% cost-of-living increase. With respect to those states whose FY 1978 entitlements exceed their FY 1977 allocations, an amount equal to 6% of the FY 1978 entitlement is to be added. With respect to all other states, an amount equal to 6% of the FY 1977 allocation is to be added to the FY 1977 level. Column VI of the attached chart shows the final distribution to the states after Steps One, Two and Three have been completed under our agreement.

As is clear from the chart, a number of states will receive substantial increases in Headstart moneys. Accordingly, we have agreed to an amendment under which states will be able to carry over FY 1978 Headstart funds into FY 1979. Such an amendment, which will be added to H. R. 7577 at a later date, will provide opportunity and time to plan for the effective utilization of moneys in states receiving substantial increases.

We have also agreed to continue our work on developing the most equitable formula possible for the allocation of Headstart moneys in fiscal years following FY 1978.

Sincerely,

CARL D. PERKINS

ALBERT H. QUIE

IKE ANDREWS

WILLIAM F. GOODLING

AUGUSTUS F. HAWKINS

WILLIAM D. FORD

BALTASAR CORRADA

Attachment.

CDP:db

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HEADSTART DISTRIBUTION UNDER CURRENT FORMULA AND WITHOUT 1975 HOLD-HARMLESS

State	FY '78 Current Law Formula (With Hold-harmless)	FY '78 Without Hold-harmless	Amount Required to Bring to 1975 Hold-harmless Level
Alabama	$11,391,000	$9,504,670	$1,886,330
Alaska	1,511,887	511,734	1,000,153
Arizona	4,555,930	5,024,296	--
Arkansas	5,758,000	5,827,673	--
California	49,127,136	54,177,587	--
Colorado	5,390,660	4,044,795	1,345,865
Connecticut	4,775,074	5,265,970	--
Delaware	1,096,000	1,138,965	--
District of Columbia	3,177,755	2,887,264	290,491
Florida	13,747,181	15,160,442	--
Georgia	12,864,375	14,186,881	--
Hawaii	2,128,779	1,987,543	141,236
Idaho	1,329,000	1,300,340	28,660
Illinois	28,088,894	30,976,537	--
Indiana	7,099,818	7,829,705	--
Iowa	3,569,178	3,936,103	--
Kansas	3,495,000	3,170,377	324,623
Kentucky	10,807,669	9,537,591	1,270,078
Louisiana	10,583,869	11,671,930	--
Maine	2,127,560	2,346,281	--
Maryland	7,016,472	7,737,792	--
Massachusetts	12,256,902	13,516,956	--
Michigan	21,347,170	23,541,738	--
Minnesota	5,278,015	5,820,614	--
Mississippi	37,082,000	9,304,990	27,777,010
Missouri	9,656,367	10,649,077	--
Montana	1,388,000	1,215,639	172,361
Nebraska	2,157,250	2,040,087	117,163
Nevada	752,828	830,221	--
New Hampshire	1,055,620	1,164,142	--
New Jersey	15,240,658	16,807,454	--
New Mexico	3,045,576	3,358,673	--
New York	38,777,176	42,763,613	--
North Carolina	11,255,000	11,020,770	234,230
North Dakota	683,046	753,266	--
Ohio	22,748,122	25,086,713	--
Oklahoma	6,634,000	5,224,207	1,409,793
Oregon	4,251,426	4,688,488	--
Pennsylvania	22,500,940	24,814,120	--
Puerto Rico	20,607,432	22,725,952	--
Rhode Island	1,757,834	1,938,546	--
South Carolina	6,857,000	7,034,276	--
South Dakota	1,149,905	1,268,120	--
Tennessee	9,476,620	8,979,832	496,788
Texas	22,534,285	24,850,892	--
Utah	1,914,509	2,111,328	--
Vermont	1,132,875	1,102,664	30,211
Virginia	7,178,501	7,916,477	--
Washington	5,635,196	6,214,516	--
West Virginia	5,275,006	3,820,110	1,454,896
Wisconsin	7,478,502	8,247,319	--
Wyoming	751,000	464,725	286,275
FEDERAL TOTAL	$497,499,998*	$497,500,001*	$ 38,266,163*

*Total not exact because of rounding in computations.

Jean Yavis Jones
Education and Public Welfare Division
November 11, 1977

ELIGIBLE HEAD START POPULATION
AND NUMBER SERVED IN EACH STATE

State	Number Served by End of FY 78	Number of Poverty Children	Percent Served by End of FY 78
Alabama	8,802	42,310	18.72%
Alaska	800	1,880	38.29
Arizona	2,778	21,780	11.47
Arkansas	5,158	27,920	16.62
California	23,063	178,640	11.61
Colorado	4,135	12,930	28.78
Connecticut	3,942	17,110	20.73
Delaware	737	3,150	21.05
D.C.	1,665	6,520	22.98
Florida	10,312	70,100	13.23
Georgia	8,365	68,540	10.98
Hawaii	1,073	5,530	17.46
Idaho	930	5,780	14.48
Illinois	18,801	98,640	17.54
Indiana	5,435	30,020	16.29
Iowa	2,721	12,410	19.73
Kansas	2,520	11,330	20.01
Kentucky	9,522	36,720	23.33
Louisiana	8,339	48,970	15.32
Maine	1,403	6,930	18.22
Maryland	4,156	21,940	17.04
Massachusetts	6,690	41,160	14.62
Michigan	16,700	63,720	23.58
Minnesota	3,875	20,640	16.89
Mississippi	29,879	37,230	72.29
Missouri	8,327	34,490	21.72
Montana	961	6,690	12.92
Nebraska	1,633	9,570	15.35
Nevada	380	4,190	8.16
New Hampshire	651	4,840	12.10
New Jersey	7,319	54,060	12.18
New Mexico	3,386	16,640	18.31
New York	16,044	119,100	12.12
North Carolina	9,438	50,910	16.68
North Dakota	435	2,820	13.88
Ohio	18,024	84,940	19.07
Oklahoma	6,546	23,600	24.96
Oregon	2,375	14,390	14.85
Pennsylvania	12,730	74,910	15.29
Rhode Island	1,155	6,350	16.37
South Carolina	5,974	22,300	24.11
South Dakota	782	5,360	13.73
Tennessee	8,444	26,360	28.83
Texas	18,298	131,450	12.52
Utah	1,364	9,130	13.44
Vermont	794	4,200	17.01
Virginia	4,380	32,850	12.00
Washington	3,642	19,130	17.13
West Virginia	3,531	15,200	20.90
Wisconsin	5,011	25,370	17.77
Wyoming	536	2,160	22.33
Puerto Rico	13,570	144,810	8.43
TOTAL		1,837,720	

Prepared by the staff of the Subcommittee on Employment, Poverty, and Migratory Labor.

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