

105TH CONGRESS
2D SESSION

S. 2215

To provide transitional community employment for unemployed persons, and other individuals in poverty, who live in certain identified communities, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 25, 1998

Mr. WELLSTONE introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To provide transitional community employment for unemployed persons, and other individuals in poverty, who live in certain identified communities, and for other purposes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Strategic Transitional
5 Employment Program Act”.

6 **SEC. 2. DEFINITIONS.**

7 In this Act:

1 (1) CHIEF ELECTED OFFICIAL.—The term
2 “chief elected official” means—

3 (A) the chief elected executive officer of
4 the unit of general local government in a local
5 area; or

6 (B) if the local area includes more than 1
7 unit of general local government, 1 or more
8 chief elected executive officers, determined in
9 accordance with the procedure described in sec-
10 tion 308(d)(1) of Senate Bill 1186, 105th Con-
11 gress, as reported on October 15, 1997.

12 (2) COMMUNITY.—The term “community”
13 means 1 or more contiguous census tracts or contig-
14 uous block numbering areas within a local area.

15 (3) COMMUNITY EMPLOYMENT.—The term
16 “community employment” means employment de-
17 scribed in section 213(b).

18 (4) EMPLOYMENT PROGRAM.—The term “em-
19 ployment program” means a strategic transitional
20 employment program described in section 101 and
21 funded under this Act.

22 (5) IDENTIFIED COMMUNITY.—The term “iden-
23 tified community” means—

1 (A) for purposes of title II, a community
2 identified by a Governor under section
3 202(c)(2); and

4 (B) for purposes of title III, a community
5 identified by a chief elected official under sec-
6 tion 302(a).

7 (6) INDIAN TRIBE.—The term “Indian tribe”
8 has the meaning given such term in section 4(e) of
9 the Indian Self-Determination and Education Assist-
10 ance Act (25 U.S.C. 450b(e)).

11 (7) LOCAL AREA.—The term “local area”
12 means a local workforce investment area designated
13 as described in section 307 of Senate Bill 1186,
14 105th Congress, as reported on October 15, 1997.

15 (8) NATIVE HAWAIIAN ORGANIZATION.—The
16 term “Native Hawaiian organization” has the mean-
17 ing given such term in section 9212(3) of the Native
18 Hawaiian Education Act (20 U.S.C. 7912(3)).

19 (9) OUTLYING AREA.—The term “outlying
20 area” means the United States Virgin Islands,
21 Guam, American Samoa, the Commonwealth of the
22 Northern Mariana Islands, the Republic of the Mar-
23 shall Islands, the Federated States of Micronesia,
24 and the Republic of Palau.

1 (10) POVERTY LINE.—The term “poverty line”
2 means the poverty line (as defined by the Office of
3 Management and Budget, and revised annually in
4 accordance with section 673(2) of the Community
5 Services Block Grant Act (42 U.S.C. 9902(2))) ap-
6 plicable to a family of the size involved.

7 (11) SECRETARY.—The term “Secretary”
8 means the Secretary of Labor.

9 (12) STATE.—The term “State” means each of
10 the several States of the United States, the District
11 of Columbia, and the Commonwealth of Puerto Rico.

12 (13) UNEMPLOYED.—The term “unemployed”
13 means unemployed as defined by the Commissioner
14 of Labor Statistics.

15 (14) UNIT OF GENERAL LOCAL GOVERN-
16 MENT.—The term “unit of general local govern-
17 ment” means any general purpose political subdivi-
18 sion of a State that has the power to levy taxes and
19 spend funds, as well as general corporate and police
20 powers.

21 (15) VETERAN.—The term “veteran” means an
22 individual who served in the active military, naval, or
23 air service, and who was discharged or released from
24 such service under conditions other than dishonor-
25 able.

1 **TITLE I—GRANTS TO STATES**
2 **FOR DEVELOPMENT OF EM-**
3 **PLOYMENT PROGRAMS**

4 **SEC. 101. GRANTS.**

5 (a) IN GENERAL.—From the funds appropriated to
6 carry out this title for a fiscal year and not reserved under
7 section 401, the Secretary shall make grants to assist eli-
8 gible States and outlying areas in developing strategic
9 transitional employment programs that provide commu-
10 nity employment, in local areas with identified commu-
11 nities, in the States and in outlying areas. The Secretary
12 shall make the grants to pay for the program share of
13 the cost of the development.

14 (b) LIMITS.—No State or outlying area shall receive
15 a grant under this section in an amount that exceeds
16 \$1,000,000. No State or outlying area shall receive more
17 than 1 grant under this section.

18 (c) PERIOD.—Grants made under this section shall
19 be made for periods of 1 year.

20 (d) PROGRAM SHARE.—

21 (1) IN GENERAL.—The program share of the
22 cost of developing employment programs in a State
23 or outlying area is 66²/₃ percent.

24 (2) NON-PROGRAM SHARE.—The non-program
25 share of the cost may be provided in cash (including

1 funds made available from federally funded pro-
2 grams, other than programs carried out under this
3 Act, with a non-Federal share requirement, and in-
4 cluding funds from State, local, and private sources)
5 or in kind, fairly evaluated, including plant, equip-
6 ment, or services.

7 **SEC. 102. APPLICATIONS.**

8 To be eligible to receive a grant under section 101
9 to develop employment programs under this title, a State
10 or outlying area shall submit an application to the Sec-
11 retary at such time, in such manner, and containing such
12 information as the Secretary may require.

13 **SEC. 103. DEVELOPMENT ACTIVITIES.**

14 A State or outlying area that receives a grant under
15 section 101 shall use the funds made available through
16 the grant to develop employment programs by developing
17 the State plan described in section 202 or the application
18 described in section 222, as appropriate.

19 **SEC. 104. AUTHORIZATION OF APPROPRIATIONS.**

20 There are authorized to be appropriated to carry out
21 this title \$50,000,000 for fiscal year 1999 and such sums
22 as may be necessary for each of fiscal years 2000 through
23 2002.

1 **TITLE II—GRANTS TO STATES**
2 **FOR IMPLEMENTATION OF**
3 **EMPLOYMENT PROGRAMS**
4 **Subtitle A—State Activities**

5 **SEC. 201. STATE ALLOTMENTS.**

6 (a) IN GENERAL.—From the funds appropriated to
7 carry out this title for a fiscal year and not reserved under
8 section 221, 233, or 401, the Secretary shall make allot-
9 ments under subsection (b) to assist eligible States in
10 making grants to local areas, in order to implement em-
11 ployment programs in the States. The Secretary shall
12 make the allotments to pay for the program share of the
13 cost of the implementation.

14 (b) STATE ALLOTMENTS.—Of the funds described in
15 subsection (a), the Secretary shall allot—

16 (1) 50 percent on the basis of the relative num-
17 ber of unemployed individuals in each State, com-
18 pared to the total number of unemployed individuals
19 in all States; and

20 (2) 50 percent on the basis of the relative num-
21 ber of individuals in poverty in each State, compared
22 to the total number of individuals in poverty in all
23 States.

24 (c) ELIGIBILITY.—To be eligible to receive an allot-
25 ment under this section for a fiscal year, a State shall

1 have received a grant under section 101 for a preceding
 2 fiscal year.

3 (d) REALLOTMENT.—If any part of the funds allotted
 4 under this section to a State for a fiscal year is not distrib-
 5 uted to the State, or used for implementation grants to
 6 local areas under title III, for such fiscal year, any remain-
 7 ing funds from such part shall be reallocated under this
 8 section for such fiscal year to the remaining eligible
 9 States.

10 (e) PROGRAM SHARE.—

11 (1) IN GENERAL.—The program share of the
 12 cost of implementing employment programs in a
 13 State is 66 $\frac{2}{3}$ percent.

14 (2) NON-PROGRAM SHARE.—The non-program
 15 share of the cost may be provided in cash (including
 16 funds made available from federally funded pro-
 17 grams, other than programs carried out under this
 18 Act, with a non-Federal share requirement, and in-
 19 cluding funds from State, local, and private sources)
 20 or in kind, fairly evaluated, including plant, equip-
 21 ment, or services.

22 (f) DEFINITION.—In this section, the term “individ-
 23 ual in poverty” means an individual who received an in-
 24 come, or is a member of a family that received a total

1 family income, for the most recent 12 months, that, in
 2 relation to family size, does not exceed the poverty line.

3 **SEC. 202. STATE PLANS.**

4 (a) IN GENERAL.—For a State to be eligible to re-
 5 ceive an allotment under section 201 for the implementa-
 6 tion of employment programs, the Governor of the State
 7 shall submit an application to the Secretary at such time,
 8 in such manner, and containing such information as the
 9 Secretary may require.

10 (b) CONTENTS.—At a minimum, the application shall
 11 include a State plan containing—

12 (1) a compilation of the information received by
 13 the State in approved local plans submitted under
 14 section 212;

15 (2) information describing and justifying the
 16 local areas that will receive funds under this title to
 17 implement employment programs, selected in accord-
 18 ance with subsection (c); and

19 (3) a certification that the Governor has devel-
 20 oped the State plan in a manner that will assure
 21 compliance with the requirements of section 214.

22 (c) SELECTION OF LOCAL AREAS FOR STATE
 23 PLANS.—

24 (1) SELECTION OF LOCAL AREAS WITH IDENTI-
 25 FIED COMMUNITIES.—

1 (A) PRIORITY.—In selecting, for purposes
2 of subsection (b), the local areas of the State to
3 receive funding to implement an employment
4 program under this title, the Governor shall
5 give priority to—

6 (i) local areas with a substantial num-
7 ber of identified communities, or substan-
8 tial populations in such communities; and

9 (ii) local areas with identified commu-
10 nities, for which a chief elected official sub-
11 mits a plan that proposes—

12 (I) employment projects to be
13 carried out by public agencies and pri-
14 vate nonprofit organizations; and

15 (II) employment projects that di-
16 rectly affect affordable housing,
17 human services, infrastructure, envi-
18 ronmental conservation or restoration,
19 and small business development, in
20 identified communities.

21 (B) NEED.—In selecting the local areas,
22 the Governor shall take into consideration the
23 need of the local areas for the employment to
24 be provided through the employment programs.

1 (2) IDENTIFICATION OF COMMUNITIES WITHIN
2 LOCAL AREAS.—To enable the chief elected officials
3 of the local areas to develop local plans under sec-
4 tion 212 and to enable the Governor to make the se-
5 lection described in paragraph (1), the Governor
6 shall compile data, including information on income
7 levels, the poverty rate, the unemployment rate, edu-
8 cation levels, housing values, and the housing owner
9 occupancy rate in divisions in the local areas. The
10 Governor shall compile the data from the smallest
11 geographic divisions that are common to the areas
12 and for which the data is available. The Governor
13 shall analyze the data to identify urban and rural
14 communities in the local area that, collectively, have
15 high poverty rates and unemployment rates and low
16 income levels, education levels, housing values, and
17 housing owner occupancy rates relative to such
18 rates, levels, and values of the States and counties
19 in which the communities are located. The Governor
20 shall distribute the data, and the results of the anal-
21 ysis, to the chief elected official.

22 (d) DEVELOPMENT PROCESS.—

23 (1) OPINIONS.—In developing the State plan,
24 the Governor shall—

(A) at a minimum, solicit the opinions of organizations and partnerships in the State that are responsible for planning, setting policy for, and administering Federal and State employment and training programs, including programs funded through welfare-to-work grants made under section 403(a)(5) of the Social Security Act (42 U.S.C. 603(a)(5)) in the State; and

(B) to the extent possible, solicit the opinions of organizations representing or serving individuals in poverty (as defined in section 201(f)), unemployed individuals, individuals who are veterans, or individuals with disabilities (as defined in section 3 of the Americans with Disabilities Act of 1990 (42 U.S.C. 12102)).

(2) DEVELOPMENT.—To the extent possible, the Governor shall arrange for the organizations and partnerships described in subparagraphs (A) and (B) of paragraph (1) to develop the State plan, including carrying out the responsibilities of the Governor under this section.

SEC. 203. STATE ADMINISTRATION.

(a) IN GENERAL.—Except as provided in subsection

(b), the Governor shall carry out the administration of the

1 State plan, including providing technical assistance to and
2 monitoring the activities of chief elected officials in local
3 areas that receive funds under this title, and conducting
4 related data collection activities.

5 (b) ORGANIZATIONS AND PARTNERSHIPS.—

6 (1) OPINIONS.—In carrying out the administra-
7 tion of the State plan, the Governor shall—

8 (A) at a minimum, solicit the opinions of
9 organizations and partnerships described in sec-
10 tion 202(d)(1)(A); and

11 (B) to the extent possible, solicit the opin-
12 ions of organizations described in section
13 202(d)(1)(B).

14 (2) ADMINISTRATION.—To the extent possible,
15 the Governor shall arrange for the organizations and
16 partnerships described in subparagraphs (A) and
17 (B) of paragraph (1) to carry out the administration
18 of the State plan.

19 (3) COORDINATION.—The Governor shall en-
20 sure the coordination of activities to be carried out
21 under the plan with the employment and training
22 programs carried out by the organizations and part-
23 nerships described in paragraph (1)(A) and with
24 other social services programs.

1 (c) FISCAL AGENT.—The Governor of the State shall
2 serve as the fiscal agent for the allotment to the State
3 under section 201.

4 (d) ADMINISTRATIVE EXPENSES.—Not more than 10
5 percent of the funds made available to a State through
6 an allotment made under section 201 may be used for the
7 administration of the State plan.

8 **SEC. 204. STATE REPORTS.**

9 Each Governor of a State receiving funds under this
10 title to carry out employment programs in the State shall
11 annually prepare and submit to the Secretary a report
12 containing—

13 (1) the information received by the State from
14 local reports submitted under section 217; and

15 (2) information on the costs of the programs to
16 the State and level of funding provided by the State
17 for such programs.

18 **Subtitle B—Local Activities**

19 **SEC. 211. LOCAL GRANTS.**

20 A State that receives an allotment under section 201
21 for a fiscal year shall use the funds made available
22 through the allotment to make grants to local areas, in
23 order to implement employment programs.

1 **SEC. 212. LOCAL PLANS.**

2 (a) IN GENERAL.—For a local area to be eligible to
3 receive a grant under section 211 for an employment pro-
4 gram, the chief elected official of the local area shall sub-
5 mit an application to the State at such time, in such man-
6 ner, and containing such information as the State may
7 require.

8 (b) CONTENTS.—At a minimum, the application shall
9 include a local plan containing—

10 (1) information describing and justifying the lo-
11 cations at which, and the strategy by which, the
12 chief elected official will provide community employ-
13 ment positions in the area through the employment
14 program in the area, determined in accordance with
15 subsection (c);

16 (2) information describing the community em-
17 ployment projects to be carried out in the local area
18 through the employment program, the type of work
19 to be performed by participants in the projects, the
20 eligible employers that will carry out the projects,
21 and the compensation and benefits to be provided to
22 participants in the projects;

23 (3) information specifying the manner in which
24 the chief elected official will implement the employ-
25 ment program, including—

1 (A) the manner in which the official will
2 link the employment provided through the pro-
3 gram with—

4 (i) activities that provide training and
5 skill development;

6 (ii) job readiness activities;

7 (iii) job placement assistance; and

8 (iv) support services;

9 for placement in public or private employment
10 that is not subsidized with funds made available
11 under this Act, especially employment in growth
12 occupations specified by the Secretary and in
13 occupations with wages above the rates speci-
14 fied in subclauses (I) and (II) of section
15 214(a)(1)(A)(ii);

16 (B) the manner in which the official will—

17 (i) ensure that the employment pro-
18 vided through the program will develop the
19 skills of and provide work experience to
20 participants in the program, including par-
21 ticipants who are ages 16 through 25, and
22 otherwise prepare the participants in the
23 program for placement in public or private
24 employment that is not subsidized with
25 funds made available under this Act, espe-

1 cially employment in growth occupations
2 specified by the Secretary and in occupa-
3 tions with wages above the rates specified
4 in subclauses (I) and (II) of section
5 214(a)(1)(A)(ii); and

6 (ii) provide for the generation of par-
7 ticipant skill development plans, developed
8 by the employer of the participant and the
9 participant, setting forth goals and time
10 frames for the development of skills by
11 participants during the period of participa-
12 tion and after such period;

13 (C) the manner in which persons des-
14 ignated by the official will assess the job readi-
15 ness and skills of applicants for the projects;

16 (D) the manner in which the employment
17 provided through the program will increase the
18 number of positions available to low-skilled
19 workers, in a local area with a severe shortage
20 of such positions;

21 (E) the manner in which the official will
22 coordinate the employment program with other
23 Federal and State employment and training
24 programs, including programs funded through
25 welfare-to-work grants made under section

1 403(a)(5) of the Social Security Act (42 U.S.C.
 2 603(a)(5)), with programs providing child care
 3 and transportation services, and with other so-
 4 cial service programs; and

5 (F) the manner in which the official will
 6 provide community employment through the
 7 employment program;

8 (4) an assurance that the official will require
 9 each employer who seeks to carry out an employ-
 10 ment project to submit a job description to the offi-
 11 cial for each position in the project, that includes a
 12 description of—

13 (A) the tasks to be performed by partici-
 14 pants in the position; and

15 (B) the training to be provided by the em-
 16 ployer to participants in the position; and

17 (5) a certification that the official has developed
 18 the local plan in a manner that will assure compli-
 19 ance with the requirements of section 214.

20 (c) AREAS.—In determining the locations at which,
 21 and the strategy by which, the official will provide employ-
 22 ment positions in the area, the chief elected official shall
 23 use the data described in section 202(c)(2) and shall con-
 24 sider information supplied by public agencies and commu-
 25 nity-based organizations in the local area.

1 (d) DEVELOPMENT PROCESS.—

2 (1) IN GENERAL.—

3 (A) OPINIONS.—In developing the local
4 plan, the chief elected official shall, at a mini-
5 mum, solicit the opinions of organizations and
6 partnerships in the local area that are respon-
7 sible for planning, setting policy for, and ad-
8 ministering employment and training programs
9 described in section 202(d)(1)(A) in the local
10 area.

11 (B) DEVELOPMENT.—To the extent pos-
12 sible, the chief elected official shall arrange for
13 the organizations and partnerships described in
14 subparagraph (A) to develop the local plan, in-
15 cluding carrying out the responsibilities of the
16 chief elected official under this section.

17 (2) SPECIFIC INVOLVEMENT.—At a minimum,
18 representatives of community-based organizations,
19 organizations serving victims of domestic violence,
20 labor organizations, private employers, organizations
21 described in section 202(d)(1)(B), and residents of
22 the local area shall assist in the development of the
23 plan, especially the selection of the employment
24 projects and employers described in subsection
25 (b)(2), the determination of the compensation and

1 benefits described in subsection (b)(2), and the ef-
 2 forts to make the certification described in sub-
 3 section (b)(5). In addition, in any case in which a
 4 labor organization represents a substantial number
 5 of employees who are engaged in work or training,
 6 in the local area, similar to the activities proposed
 7 to be carried out under the local plan, the chief
 8 elected official shall provide an opportunity for the
 9 organization to submit comments with respect to the
 10 local plan.

11 **SEC. 213. IMPLEMENTATION ACTIVITIES.**

12 (a) IN GENERAL.—A local area that receives a grant
 13 under section 211 shall use the funds made available
 14 through the grant to implement an employment program
 15 that provides community employment with eligible employ-
 16 ers to eligible individuals in accordance with this title.

17 (b) COMMUNITY EMPLOYMENT.—

18 (1) IN GENERAL.—Community employment
 19 funded under this title in a community shall consist
 20 of entry-level employment that the chief elected offi-
 21 cial in the local area, after consultation with rep-
 22 resentatives of organizations in the local area, deter-
 23 mines to meet the skills and needs of eligible individ-
 24 uals in the identified communities in the local area
 25 and the needs of the local area for affordable hous-

1 ing, human services, infrastructure, environmental
 2 conservation or restoration, and small business de-
 3 velopment. Such community employment may in-
 4 clude employment related to provision of directory
 5 assistance services, recreational equipment design
 6 and construction, removal of lead paint or asbestos,
 7 renovation of schools and community centers, provi-
 8 sion of after-school and summer recreational pro-
 9 grams, provision of child care and home health care
 10 services, provision of elder care, provision of teacher
 11 aide services, construction and renovation of afford-
 12 able housing, and community crime prevention.

13 (2) TRAINING AND EDUCATION PROGRAMS AND
 14 JOB SEARCH ACTIVITIES.—Community employment
 15 funded under this title may, at the election of the
 16 chief local official, include participation in training
 17 and education programs (such as functional context
 18 education programs, vocational training programs,
 19 and secondary or postsecondary education programs)
 20 for not more than 10 hours per week per partici-
 21 pant. Community employment funded under this
 22 title shall include participation in structured job
 23 search activities in accordance with such standards
 24 as the chief elected official shall specify. Participants
 25 shall be paid for participation in the training and

1 education programs and job search activities in ac-
2 cordance with section 214.

3 (3) REQUIREMENTS AND RESTRICTIONS.—The
4 community employment will be provided in accord-
5 ance with the requirements and restrictions specified
6 in section 214 and 215.

7 (4) LENGTH OF EMPLOYMENT.—

8 (A) IN GENERAL.—Except as provided in
9 subparagraph (B), an employer shall provide
10 employment to a participant in an employment
11 program for not more than a 12-month period.

12 (B) ADDITIONAL TERM.—A chief elected
13 official for a local area involved in an employ-
14 ment program carried out under this title may
15 submit a request to the Secretary for a waiver
16 of the limit specified in subparagraph (A), on
17 behalf of the employers involved in the program
18 in the local area. The official shall specify, in
19 the request, the criteria the employers will use
20 to determine whether to provide employment to
21 a participant for more than 12 months and
22 shall provide a justification for the waiver based
23 on information collected by the official from the
24 employers. The Secretary may waive the limit
25 for not more than an additional 12-month pe-

1 riod, and for not more than 20 percent of the
2 participants in the program.

3 (c) ELIGIBLE EMPLOYERS.—To be eligible to be an
4 employer in an employment program, an entity shall be
5 an agency of a unit of general local government, a non-
6 profit private organization, or another private organiza-
7 tion.

8 (d) ELIGIBLE INDIVIDUALS.—

9 (1) MINIMUM ELIGIBILITY REQUIREMENTS.—
10 To be eligible to be selected to be a participant in
11 the employment program, an individual shall be a
12 person who—

13 (A) has been unemployed for a period of
14 not less than 15 weeks or is receiving assistance
15 under a State program funded under part A of
16 title IV of the Social Security Act (42 U.S.C.
17 601 et seq.);

18 (B) is an individual who received an in-
19 come, or is a member of a family that received
20 a total family income that, in relation to family
21 size, does not exceed the poverty line;

22 (C) resides in an identified community;

23 (D) has engaged in structured job search
24 activities for not less than 4 weeks; and

1 (E) meets such skill requirements for the
2 position involved as the chief elected official in
3 the local area shall prescribe.

4 (2) PRIORITIES.—In determining which of the
5 eligible individuals described in paragraph (1) shall
6 be selected to participate in an employment pro-
7 gram, the chief elected official shall give priority to
8 veterans.

9 (3) CONTINUED ELIGIBILITY.—To remain eligi-
10 ble to participate in the employment program, a par-
11 ticipant shall participate in structured job search ac-
12 tivities in accordance with such standards as the
13 chief elected official shall specify.

14 (e) NONDUPLICATION.—

15 (1) IN GENERAL.—Assistance provided under
16 this title shall be used only for an employment pro-
17 gram that is in addition to activities otherwise avail-
18 able in the local area of such program.

19 (2) PRIVATE ENTITY.—Assistance made avail-
20 able under this title shall not be provided to a pri-
21 vate entity to conduct activities that are the same as
22 or substantially equivalent to activities provided by
23 a State or local government agency that serves the
24 area that such entity resides in, unless the require-
25 ments of section 214(b) are met.

1 **SEC. 214. REQUIREMENTS AND RESTRICTIONS.**

2 (a) BENEFITS.—

3 (1) WAGES.—

4 (A) IN GENERAL.—

5 (i) RATE OF COMPENSATION.—Indi-
6 viduals participating in community employ-
7 ment in a program carried out under this
8 title shall be compensated at the same
9 rates as similarly situated employees, as
10 determined by the Secretary, and in ac-
11 cordance with applicable law.

12 (ii) MINIMUM RATE.—The rate of
13 compensation provided by an employer for
14 an individual under clause (i) shall not be
15 less than the highest of—

16 (I) the rate specified in section
17 6(a)(1) of the Fair Labor Standards
18 Act of 1938 (29 U.S.C. 206(a)(1));

19 (II) the rate specified in applica-
20 ble State or local minimum wage law;

21 (III) the prevailing rate of pay
22 for individuals employed in similar oc-
23 cupations, as determined by the Sec-
24 retary, by the same employer; and

25 (IV) an hourly rate, calculated as
26 the rate that would enable a partici-

1 pant to earn 100 percent of the pov-
2 erty line for a family of 3 if the par-
3 ticipant were to perform 40 hours per
4 week of work in the program, for a
5 full year.

6 (B) CONSTRUCTION.—The reference in
7 subparagraph (A)(ii)(I) to section 6(a)(1) of the
8 Fair Labor Standards Act of 1938—

9 (i) shall be deemed to be a reference
10 to section 6(c) of that Act (29 U.S.C.
11 206(c)) for individuals in the Common-
12 wealth of Puerto Rico;

13 (ii) shall be deemed to be a reference
14 to section 6(a)(3) (29 U.S.C. 206(a)(3)) of
15 that Act for individuals in American
16 Samoa (for purposes of subtitle C, if sub-
17 paragraph (A) applies under that subtitle);
18 and

19 (iii) shall not be applicable for individ-
20 uals in other territorial jurisdictions in
21 which section 6 of the Fair Labor Stand-
22 ards Act of 1938 (29 U.S.C. 206) does not
23 apply (for purposes of subtitle C, if sub-
24 paragraph (A) applies under that subtitle).

25 (2) BENEFITS.—

(A) HEALTH INSURANCE.—

(i) IN GENERAL.—A State involved in an employment program carried out under this title shall ensure the provision of a basic health care policy for each participant who is employed through the program, if the participant is not otherwise covered by a health care policy. The State may retain funds from a grant to a local area under section 211 to ensure the provision of such policies for such participants in an employment program in the local area. The Secretary shall establish minimum standards that all plans shall meet in order to qualify for payment under this title, any circumstances in which an alternative health care policy may be substituted for the basic health care policy, and mechanisms to prohibit a participant from dropping existing coverage (in existence on the date the participant first applies for the program).

(ii) OPTION.—A State involved in an employment program carried out under this title may elect to provide from its own

1 funds a health care policy for participants
2 that does not meet all of the standards es-
3 tablished by the Secretary if the fair mar-
4 ket value of such policy is equal to or
5 greater than the fair market value of a
6 plan that meets the minimum standards
7 established by the Secretary, and is con-
8 sistent with other applicable laws.

9 (B) COVERAGE OF CERTAIN EMPLOYMENT-
10 RELATED TAXES.—To the extent an employer
11 involved in an employment program carried out
12 under this title is subject to the taxes imposed
13 on an employer under sections 3111 and 3301
14 of the Internal Revenue Code of 1986, and
15 taxes imposed on an employer under a work-
16 men’s compensation act, for a participant, the
17 assistance provided to an employer for the par-
18 ticipant under the program shall include an
19 amount equal to the amount of such taxes. For
20 purposes of section 3309(b)(5) of the Internal
21 Revenue Code of 1986, employment programs
22 carried out under this title shall not be consid-
23 ered to be programs described in such section,
24 and participants in employment programs car-

ried out under this title shall not be considered
to be individuals described in such section.

(C) NO CONTRIBUTIONS TO RETIREMENT
SYSTEMS OR PLANS.—None of the funds made
available under this title may be used by an em-
ployer to make a contribution on behalf of any
participant to a private retirement system or
plan.

(3) TREATMENT OF ALLOWANCES, EARNINGS,
AND PAYMENTS TO PARTICIPANTS.—

(A) IN GENERAL.—Notwithstanding any
provision of the Internal Revenue Code of 1986,
for purposes of such Code, including section 32
(relating to earned income credits) and subtitle
C (relating to employment taxes), allowances,
earnings, and payments to individuals partici-
pating in programs carried out under this title
shall be includable in the gross income of indi-
viduals as wages.

(B) TREATMENT FOR EMPLOYMENT AND
TRAINING PROGRAMS.—Such allowances, earn-
ings, and payments shall not be considered to
be income for the purposes of determining eligi-
bility for, and the amount of assistance fur-
nished under, the Job Training Partnership Act

1 (29 U.S.C. 1501 et seq.) or successor legisla-
2 tion.

3 (4) DENIAL OF DEDUCTIONS AND CREDITS TO
4 EMPLOYERS.—For purposes of the Internal Revenue
5 Code of 1986, no deduction or credit under such
6 Code shall be allowed with respect to trade or busi-
7 ness expenses paid from or reimbursed by funds pro-
8 vided under this title.

9 (b) LABOR STANDARDS.—

10 (1) DISPLACEMENT.—

11 (A) PROHIBITION.—A participant in a pro-
12 gram authorized under this title (referred to in
13 this subsection as a “specified activity”) shall
14 not displace (including a partial displacement,
15 such as a reduction in the hours of nonovertime
16 work, wages, or employment benefits) any em-
17 ployed employee.

18 (B) PROHIBITION ON IMPAIRMENT OF
19 CONTRACTS.—A specified activity shall not im-
20 pair an existing contract for services or collec-
21 tive bargaining agreement, and no such activity
22 that would be inconsistent with the terms of a
23 collective bargaining agreement shall be under-
24 taken without the written concurrence of the
25 labor organization and employer concerned.

1 (2) OTHER PROHIBITIONS.—

2 (A) IN GENERAL.—A participant in a spec-
3 ified activity shall not be employed in a job—

4 (i) when any other individual is on
5 layoff from the same or any substantially
6 equivalent job with the participating em-
7 ployer;

8 (ii) when the employer has terminated
9 the employment of any regular employee or
10 otherwise reduced the workforce of the em-
11 ployer with the effect of filling the vacancy
12 so created with the participant;

13 (iii) when any other individual is on
14 leave from, has recall rights pursuant to a
15 collective bargaining agreement or applica-
16 ble personnel procedures to, or is subject
17 to a reduction in force relating to, the
18 same or any substantially equivalent job,
19 with the participating employer;

20 (iv) when any other employee is on
21 strike or is being locked out with respect
22 to the same or any substantially equivalent
23 job with the participating employer;

24 (v) that is created in a promotional
25 line that will infringe in any way on the

1 promotional opportunities of employed in-
2 dividuals; or

3 (vi) if the job position is vacant and
4 was previously held by an employee whose
5 wages and benefits were not subsidized
6 under this Act.

7 (B) CONCURRENCE.—Before an employer
8 employs a participant described in subpara-
9 graph (A) in a job that is the same or substan-
10 tially equivalent to a job held by other employ-
11 ees of the employer, the employer shall obtain
12 the written concurrence of the local labor orga-
13 nization, if any, representing the employees.

14 (3) HEALTH AND SAFETY.—Health and safety
15 standards established under Federal and State law,
16 including the Occupational Safety and Health Act of
17 1970 (29 U.S.C. 651 et seq.), otherwise applicable
18 to working conditions of employees shall be equally
19 applicable to working conditions of participants en-
20 gaged in specified activities. With respect to any
21 participant who is engaged in activities that are not
22 covered by health and safety standards under the
23 Occupational Safety and Health Act of 1970, the
24 Secretary shall prescribe, by regulation, such stand-
25 ards as may be necessary to protect the health and

1 safety of such participant. To the extent that a
 2 State workers' compensation law applies, workers'
 3 compensation shall be provided to participants on
 4 the same basis as the compensation is provided to
 5 other individuals in the State in similar employment.
 6 To the extent that such law is not applicable, each
 7 employer receiving funds under this title shall secure
 8 insurance coverage for injuries suffered by such par-
 9 ticipants as a result of the participation, in accord-
 10 ance with regulations prescribed by the Secretary.

11 (4) EMPLOYMENT CONDITIONS.—Individuals
 12 participating in programs carried out under this
 13 title, shall be provided equipment, supplies, family
 14 and medical leave, work space, and other working
 15 conditions at the same level and to the same extent
 16 as other trainees or employees working a similar
 17 length of time and doing the same type of work.

18 (5) OTHER LABOR PROTECTIONS.—Standards
 19 established under the Fair Labor Standards Act of
 20 1938 (29 U.S.C. 201 et seq.), the National Labor
 21 Relations Act (29 U.S.C. 151 et seq.), the Act of
 22 March 3, 1931 (commonly known as the “Davis-
 23 Bacon Act”) (46 Stat. 1494; chap. 411; 40 U.S.C.
 24 276a et seq.), the Service Contract Act of 1965 (41
 25 U.S.C. 351 et seq.), and State labor and employ-

1 ment laws (as defined by the appropriate State
 2 agency), otherwise applicable to working conditions
 3 of employees shall be equally applicable to working
 4 conditions of participants engaged in specified activi-
 5 ties. Participants in employment programs carried
 6 out under this title shall be considered to be employ-
 7 ees, and the employers of the participant shall be
 8 considered to be employers, for purposes of the Fair
 9 Labor Standards Act of 1938 (29 U.S.C. 201 et
 10 seq.).

11 (6) HEARINGS AND OPPORTUNITY TO SUBMIT
 12 COMMENTS.—Interested members of the public shall
 13 be provided an opportunity for a public hearing on
 14 a State plan submitted under section 202, and an
 15 opportunity to submit comments to the State with
 16 respect to programs described in the State plan and
 17 proposed to be funded under this title. The opportu-
 18 nities for a public hearing and for the submission of
 19 comments shall be provided in accordance with such
 20 procedures as the Secretary shall specify.

21 (c) GRIEVANCE PROCEDURE.—

22 (1) IN GENERAL.—An employer receiving as-
 23 sistance under this title shall establish and maintain
 24 a procedure for the filing and adjudication of griev-
 25 ances or complaints alleging violations of the re-

1 quirements of this title (except as otherwise provided
2 in section 215) from participants, labor organiza-
3 tions, and other interested parties. The procedures
4 shall provide that a hearing on such a grievance or
5 complaint shall be conducted not later than 30 days
6 after the date of the filing of the grievance or com-
7 plaint and that a decision shall be made concerning
8 the grievance or complaint not later 60 days after
9 the date of filing. Except for complaints alleging
10 fraud or criminal activity, no grievance or complaint
11 may be filed under this paragraph later than 1 year
12 after the date of the alleged violation.

13 (2) INVESTIGATION.—

14 (A) IN GENERAL.—The Secretary shall in-
15 vestigate an allegation of a violation described
16 in paragraph (1) if—

17 (i) a decision relating to such violation
18 has not been reached within 60 days after
19 the date of the filing of the grievance or
20 complaint and either party appeals the de-
21 cision to the Secretary; or

22 (ii) a decision relating to such viola-
23 tion has been reached within 60 days after
24 the date of the filing and the party to

1 which such decision is adverse appeals the
2 decision to the Secretary.

3 (B) ADDITIONAL REQUIREMENT.—The
4 Secretary shall make a final determination re-
5 lating to an appeal made under subparagraph
6 (A) no later than 120 days after the date of
7 such appeal.

8 (C) SECRETARIAL AUTHORITY.—The Sec-
9 retary may also investigate a violation described
10 in paragraph (1) in accordance with section
11 231.

12 (3) REMEDIES.—Remedies that may be im-
13 posed under this subsection for a violation of any re-
14 quirement of this title (except as otherwise provided
15 in section 215) shall be limited—

16 (A) to suspension or termination of pay-
17 ments under this title to a person that has vio-
18 lated any such requirement of this title;

19 (B) to prohibition of placement of a partic-
20 ipant with an employer that has violated any
21 such requirement of this title;

22 (C) where applicable, to reinstatement of
23 an employee, payment of lost wages and bene-
24 fits, and reestablishment of other relevant

1 terms, conditions, and privileges of employment;
2 and

3 (D) where appropriate, to other equitable
4 relief.

5 (4) CONSTRUCTION.—Nothing in paragraph (3)
6 shall be construed to prohibit a grievant or com-
7 plainant from pursuing a remedy authorized under
8 another Federal, State, or local law for a violation
9 of this title.

10 (d) RELOCATION.—

11 (1) PROHIBITION ON USE OF FUNDS TO EN-
12 COURAGE OR INDUCE RELOCATION.—No funds pro-
13 vided under this title shall be used, or proposed for
14 use, to encourage or induce the relocation of a busi-
15 ness or part of a business if such relocation would
16 result in a loss of employment for any employee of
17 such business at the original location and such origi-
18 nal location is within the United States.

19 (2) PROHIBITION ON USE OF FUNDS FOR CUS-
20 TOMIZED OR SKILL TRAINING AND RELATED ACTIVI-
21 TIES AFTER RELOCATION.—No funds provided
22 under this title shall be used for customized or skill
23 training, on-the-job training, or company-specific as-
24 sessments of job applicants or employees for any
25 business or part of a business that has relocated,

1 until the date that is 120 days after the date on
2 which such business commences operations at the
3 new location, if the relocation of such business or
4 part of a business results in a loss of employment
5 for any employee of such business at the original lo-
6 cation and such original location is within the
7 United States.

8 (3) REPAYMENT.—If the Secretary determines
9 that a violation of paragraph (1) or (2) has oc-
10 curred, the Secretary shall require the State that
11 has violated such paragraph to repay to the United
12 States an amount equal to the amount expended in
13 violation of such paragraph.

14 (e) LIMITATION ON USE OF FUNDS.—No funds pro-
15 vided under this title shall be used for activities for—

16 (1) the capitalization of businesses (except as
17 provided in section 501) investment in contract bid-
18 ding resource centers, or similar activities;

19 (2) any partisan political activities associated
20 with a political party or association, or the campaign
21 of any candidate for public or party office;

22 (3) foreign travel; or

23 (4) the promotion or deterrence of union orga-
24 nizing.

1 (f) TREATMENT OF PARTICIPATION.—Notwithstand-
 2 ing any other provision of law, no individual may be re-
 3 quired to participate in an employment program carried
 4 out under this title as a condition of receiving any benefit
 5 under any Federal or State law.

6 (g) NOTIFICATION AND PROVISION OF INFORMATION
 7 ON WORKER RIGHTS.—Each employer carrying out an
 8 employment project under this title shall provide to par-
 9 ticipants in the project notification regarding, and infor-
 10 mation on, worker rights, including rights under this sec-
 11 tion and section 215, and any eligibility for earned income
 12 tax credits under the Internal Revenue Code of 1986 or
 13 applicable State law.

14 **SEC. 215. NONDISCRIMINATION.**

15 (a) PROHIBITED DISCRIMINATION.—

16 (1) PROHIBITION ON DISCRIMINATION IN FED-
 17 ERAL PROGRAMS AND ACTIVITIES.—For the purpose
 18 of applying the prohibitions against discrimination
 19 on the basis of age under the Age Discrimination
 20 Act of 1975 (42 U.S.C. 6101 et seq.), on the basis
 21 of disability under section 504 of the Rehabilitation
 22 Act of 1973 (29 U.S.C. 794), on the basis of sex
 23 under title IX of the Education Amendments of
 24 1972 (20 U.S.C. 1681 et seq.), or on the basis of
 25 race, color, or national origin under title VI of the

1 Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.),
 2 programs funded in whole or in part under this title
 3 shall be considered to be programs and activities re-
 4 ceiving Federal financial assistance, and education
 5 programs and activities receiving Federal financial
 6 assistance. For the purpose of applying the provi-
 7 sions of title II of the Americans with Disabilities
 8 Act of 1990 (42 U.S.C. 12131 et seq.) programs
 9 funded, in whole or in part, under this title shall
 10 be considered to be the services, programs, or activi-
 11 ties of a public entity, and each recipient or provider
 12 of Federal financial assistance involved in the pro-
 13 grams shall be considered to be a public entity.

14 (2) PROHIBITION OF DISCRIMINATION REGARD-
 15 ING PARTICIPATION, BENEFITS, AND EMPLOY-
 16 MENT.—No individual shall be excluded from par-
 17 ticipation in, denied the benefits of, subjected to dis-
 18 crimination under, or denied employment in the ad-
 19 ministration of or in connection with, any program
 20 funded in whole or in part under this title because
 21 of race, color, religion, sex, national origin, age, dis-
 22 ability, or political affiliation or belief.

23 (3) PROHIBITION ON ASSISTANCE FOR FACILI-
 24 TIES FOR SECTARIAN INSTRUCTION OR RELIGIOUS
 25 WORSHIP.—Participants shall not be employed under

1 this title to carry out the construction, operation, or
2 maintenance of any part of any facility that is used
3 or to be used for sectarian instruction or as a place
4 for religious worship.

5 (4) PROHIBITION ON DISCRIMINATION ON BASIS
6 OF PARTICIPANT STATUS.—No person may discrimi-
7 nate against an individual who is a participant in a
8 program or activity that receives funds under this
9 title, with respect to the terms and conditions affect-
10 ing, or rights provided to, the individual, solely be-
11 cause of the status of the individual as a participant,
12 in carrying out any endeavor that involves—

13 (A) participants in programs that receive
14 funding under this title; and

15 (B) persons who receive no assistance
16 under this title.

17 (5) PROHIBITION ON DISCRIMINATION AGAINST
18 CERTAIN NONCITIZENS.—Participation in programs
19 receiving funds under this title shall be available to
20 citizens and nationals of the United States, lawfully
21 admitted permanent resident aliens, refugees,
22 asylees, and parolees, other aliens lawfully present in
23 the United States, and other individuals authorized
24 by the Attorney General to work in the United
25 States.

1 (b) ACTION OF SECRETARY.—Whenever the Sec-
2 retary finds (in response to a complaint filed with the Sec-
3 retary by a participant or on the initiative of the Sec-
4 retary) that a State or other recipient of funds under this
5 title has failed to comply with a provision of law referred
6 to in subsection (a)(1), or with paragraph (2), (3), (4),
7 or (5) of subsection (a), including an applicable regulation
8 prescribed to carry out such provision or paragraph, the
9 Secretary shall notify such State or recipient and shall re-
10 quest that the State or recipient comply. If within a rea-
11 sonable period of time, not to exceed 60 days, the State
12 or recipient fails or refuses to comply, the Secretary
13 may—

14 (1) refer the matter to the Attorney General
15 with a recommendation that an appropriate civil ac-
16 tion be instituted;

17 (2) exercise the powers and functions provided
18 to the head of a Federal department or agency
19 under the Age Discrimination Act of 1975, title V
20 of the Rehabilitation Act of 1973 (29 U.S.C. 791 et
21 seq.), title IX of the Education Amendments of
22 1972, or title VI of the Civil Rights Act of 1964, as
23 may be applicable; or

24 (3) take such other action as may be provided
25 by law.

1 (c) ACTION OF ATTORNEY GENERAL.—When a mat-
 2 ter is referred to the Attorney General pursuant to sub-
 3 section (b)(1), or whenever the Attorney General has rea-
 4 son to believe that a State or other recipient of funds
 5 under this title is engaged in a pattern or practice of dis-
 6 crimination in violation of a provision of law referred to
 7 in subsection (a)(1) or in violation of paragraph (2), (3),
 8 (4), or (5) of subsection (a), the Attorney General may
 9 bring a civil action in any appropriate district court of the
 10 United States for such relief as may be appropriate, in-
 11 cluding injunctive relief.

12 (d) PARTICIPANTS.—For purposes of this section,
 13 participants in employment programs shall be considered
 14 as the ultimate beneficiaries of an education program or
 15 activity receiving Federal financial assistance.

16 **SEC. 216. LOCAL ADMINISTRATION.**

17 (a) IN GENERAL.—Except as provided in subsection
 18 (b), the chief elected official shall carry out the adminis-
 19 tration of the local plan.

20 (b) ORGANIZATIONS AND PARTNERSHIPS.—

21 (1) OPINIONS.—In carrying out the administra-
 22 tion of the local plan, the official shall—

23 (A) at a minimum, solicit the opinions of
 24 organizations and partnerships in the local area
 25 that are responsible for planning, setting policy

1 for, and administering employment and training
2 programs described in section 202(d)(1)(A) in
3 the local area; and

4 (B) to the extent possible, solicit the opin-
5 ions of organizations described in section
6 202(d)(1)(B).

7 (2) ADMINISTRATION.—To the extent possible,
8 the official shall arrange for the organizations and
9 partnerships described in subparagraphs (A) and
10 (B) of paragraph (1) to carry out the administration
11 of the local plan.

12 (3) COORDINATION.—The official shall ensure
13 the coordination of activities to be carried out under
14 the plan with the employment and training programs
15 carried out by the organizations and partnerships
16 described in paragraph (1)(A) and with other social
17 service programs.

18 (c) FISCAL AGENT.—The chief elected official shall
19 serve as the fiscal agent for the funds made available to
20 the local area under this title.

21 (d) ADMINISTRATIVE EXPENSES.—Not more than 15
22 percent of the funds made available to a local area through
23 a grant made under section 211 may be used for the ad-
24 ministration of the local plan.

1 **SEC. 217. LOCAL REPORTS.**

2 Each chief elected official in a local area receiving
3 funds under this title to carry out an employment program
4 shall annually prepare and submit to the State a report
5 containing information on—

6 (1) the number of participants in the program;

7 (2) the number of positions created for the pro-
8 gram;

9 (3) the type of work performed by the partici-
10 pants;

11 (4) the number and type of employers carrying
12 out employment projects through the program;

13 (5) the wages and benefits provided to the par-
14 ticipants;

15 (6) the costs of the program to the local areas;

16 (7) the employment status (including placement
17 in public or private employment that is not sub-
18 sidized with funds made available under this Act)
19 and wages (during the year for which the report is
20 prepared) of former participants in the program, for
21 the 5 years after the participants end their partici-
22 pation in the program;

23 (8) the impact of the employment positions in
24 the employment projects on the identified commu-
25 nities in the local area; and

1 (9) the extent to which, and the manner in
2 which, the official has ensured the coordination de-
3 scribed in section 216(b).

4 **Subtitle C—Activities in Outlying** 5 **Areas**

6 **SEC. 221. GRANTS.**

7 From the funds appropriated to carry out this title
8 for a fiscal year, the Secretary shall reserve not more than
9 $\frac{1}{4}$ of 1 percent to make grants to eligible outlying areas
10 in order to implement employment programs in the outly-
11 ing areas.

12 **SEC. 222. APPLICATION.**

13 To be eligible to receive a grant under section 221,
14 an outlying area shall submit an application to the Sec-
15 retary at such time, in such manner, and containing such
16 information and assurances as the Secretary may require.

17 **SEC. 223. REGULATIONS.**

18 The Secretary shall issue regulations specifying re-
19 quirements of this title that apply to outlying areas receiv-
20 ing funds under section 221.

21 **Subtitle D—General Provisions**

22 **SEC. 231. MONITORING.**

23 (a) IN GENERAL.—The Secretary is authorized to
24 monitor all recipients of financial assistance under this
25 title to determine whether the recipients are complying

1 with the provisions of this title, including the regulations
2 issued under this title.

3 (b) INVESTIGATIONS.—The Secretary may inves-
4 tigate any matter the Secretary determines to be necessary
5 to determine the compliance of the recipients with this
6 title, including the regulations issued under this title. The
7 investigations authorized by this subsection may include
8 examining records (including making certified copies of
9 the records), questioning employees and participants, and
10 entering any premises or onto any site in which any part
11 of an employment program of such a recipient is con-
12 ducted or in which any of the records of the recipient are
13 kept.

14 (c) WITNESSES AND PRODUCTION.—For the purpose
15 of any investigation or hearing conducted under this title
16 by the Secretary, the provisions of section 9 of the Federal
17 Trade Commission Act (15 U.S.C. 49) (relating to the at-
18 tendance of witnesses and the production of documents)
19 apply to the Secretary, in the same manner and to the
20 same extent as the provisions apply to the Federal Trade
21 Commission.

22 **SEC. 232. REPORT TO CONGRESS.**

23 The Secretary shall prepare and submit to Congress
24 a report containing—

1 (1) the information received by the Secretary
 2 from State reports submitted under section 204; and

3 (2) information on the costs of the programs to
 4 the Federal Government and level of funding pro-
 5 vided by the Federal Government for such programs.

6 **SEC. 233. FEDERAL ADMINISTRATION.**

7 From the amounts appropriated under section 234
 8 for a fiscal year, the Secretary may reserve not more than
 9 10 percent for the administration of this title.

10 **SEC. 234. AUTHORIZATION OF APPROPRIATIONS.**

11 There are authorized to be appropriated to carry out
 12 this title, \$2,300,000,000 for fiscal year 2000,
 13 \$6,800,000,000 for fiscal year 2001, and
 14 \$11,300,000,000 for fiscal year 2002.

15 **TITLE III—FEDERAL GRANTS TO**
 16 **LOCAL AREAS FOR IMPLE-**
 17 **MENTATION OF EMPLOY-**
 18 **MENT PROGRAMS**

19 **SEC. 301. GRANTS**

20 (a) FUNDS.—If the funds allotted under section 201
 21 to a State for a fiscal year are not distributed to the State
 22 for such fiscal year, the Secretary—

23 (1) shall first use the funds for implementation
 24 grants to local areas in the State in accordance with
 25 this title; and

1 (2) shall reallocate any remaining funds to remain-
2 ing eligible States in accordance with section 201(d).

3 (b) GRANTS.—Using the funds described in sub-
4 section (a), the Secretary may provide implementation
5 grants, on a competitive basis, directly to local areas in
6 States described in subsection (c), in such amounts as the
7 Secretary may determine to be necessary, to implement
8 employment programs in the local areas. The Secretary
9 shall make the grants to pay for the program share of
10 the cost of the implementation.

11 (c) ELIGIBILITY.—To be eligible to receive a grant
12 under this section for a fiscal year, a local area shall be
13 located in a State for which the Secretary has not ap-
14 proved an application under section 202 for the fiscal year.

15 (d) PROGRAM SHARE.—

16 (1) IN GENERAL.—The program share of the
17 cost of implementing an employment program in a
18 local area is 66 2/3 percent.

19 (2) NON-PROGRAM SHARE.—The non-program
20 share of the cost may be provided in cash (including
21 funds made available from federally funded pro-
22 grams, other than programs carried out under this
23 Act, with a non-Federal share requirement, and in-
24 cluding funds from State, local, and private sources)

1 or in kind, fairly evaluated, including plant, equip-
2 ment, or services.

3 **SEC. 302. APPLICATIONS.**

4 (a) IDENTIFICATION OF COMMUNITIES WITHIN
5 LOCAL AREAS.—To develop the applications under sub-
6 section (b) and enable the Secretary to make the selection
7 described in subsection (c), the chief elected officials of
8 the local areas in a State described in section 301(c) shall
9 compile and analyze data in accordance with the require-
10 ments applicable to Governors under section 202(c)(2).

11 (b) APPLICATION.—For a local area to be eligible to
12 receive a grant under this section, the chief local official
13 of the local area shall submit the application described in
14 section 212.

15 (c) SELECTION PRIORITY AND CONSIDERATION.—In
16 selecting local areas to receive grants under this section,
17 the Secretary shall give priority to local areas described
18 in section 202(c)(1)(A) and take into consideration the
19 need of the local areas for the employment to be provided
20 through the employment programs.

21 **SEC. 303. ADMINISTRATION.**

22 (a) IN GENERAL.—The chief elected officials of the
23 local areas shall implement the employment programs in
24 accordance with—

1 (1) the requirements applicable to local areas
 2 and chief elected officials under subtitle B of title II,
 3 including the requirements of section 216(b); and

4 (2) the provisions applicable to States and Gov-
 5 ernors under sections 202(c)(2) and 214.

6 (b) REFERENCES.—For purposes of subsection (a),
 7 references in the requirements described in subsection
 8 (a)(1) (other than the provisions described in subsection
 9 (a)(2)) to a State, Governor, or State entity shall be con-
 10 sidered to be references to the Secretary.

11 (c) REGULATIONS.—The Secretary shall issue regula-
 12 tions specifying the manner in which the requirements and
 13 provisions described in subsection (a) shall apply to chief
 14 elected officials under this title and the manner in which
 15 the requirements of subtitle D of title II shall apply to
 16 programs carried out under this title.

17 **TITLE IV—GRANTS TO INDIAN** 18 **TRIBES AND NATIVE HAWAI-** 19 **IAN ORGANIZATIONS FOR EM-** 20 **PLOYMENT PROGRAMS**

21 **SEC. 401. GRANTS.**

22 From the amounts appropriated under sections 104
 23 and 234 for a fiscal year, the Secretary shall reserve not
 24 more than 3 percent to make grants to Indian tribes and

1 Native Hawaiian organizations for development and imple-
 2 mentation, respectively, of employment programs.

3 **SEC. 402. PLANS.**

4 To be eligible to receive a grant under section 401,
 5 an Indian tribe or Native Hawaiian organization shall sub-
 6 mit a plan to the Secretary at such time, in such manner,
 7 and containing such information, as the Secretary may re-
 8 quire.

9 **SEC. 403. REGULATIONS.**

10 The Secretary shall issue regulations specifying re-
 11 quirements of title II that apply to Indian tribes and Na-
 12 tive Hawaiian organizations receiving grants under section
 13 401. Such requirements shall not include a non-program
 14 share requirement.

15 **TITLE V—COMMUNITY DEVEL-**
 16 **OPMENT VENTURE CAPITAL**

17 **SEC. 501. COMMUNITY DEVELOPMENT VENTURE CAPITAL**
 18 **ACTIVITIES**

19 (a) IN GENERAL.—The Administrator is authorized
 20 to make grants to 1 or more intermediary organizations
 21 to develop the capacity of community development venture
 22 capital organizations.

23 (b) USE OF ASSISTANCE.—An intermediary organiza-
 24 tion that receives a grant under subsection (a) may use
 25 the funds made available through the grant to—

1 (1) provide training, education, support, peer
2 exchanges, and advice to enhance the technical and
3 administrative capacity of community development
4 venture capital organizations;

5 (2) provide capacity building grants, operating
6 support, and capital in the form of investments,
7 loans, or grants, to enable community development
8 venture capital organizations to provide financing
9 to—

10 (A) private businesses with enterprises
11 benefiting low-income communities, as defined
12 by the Administrator; or

13 (B) entities carrying out community devel-
14 opment projects benefiting the communities;

15 (3) invest, in partnership with community de-
16 velopment venture capital organizations, in such en-
17 terprises or projects; and

18 (4) such other activities as may be determined
19 to be appropriate by the organization in consultation
20 with the Administrator.

21 (c) ALLOCATION OF ASSISTANCE.—The Adminis-
22 trator shall ensure that not less than 25 percent of the
23 funds made available under this section are made available
24 to support activities described in subsection (b)(3).

1 (d) MATCHING REQUIREMENT.—No intermediary or-
2 ganization shall receive a grant under this section unless
3 that organization agrees that, with respect to the costs
4 to be incurred by the organization in carrying out the ac-
5 tivities for which the grant was awarded, the organization
6 will make available (directly or through donations from
7 public or private entities) non-Federal contributions in an
8 amount equal to not less than \$1 for every \$1 of Federal
9 funds provided under the grant. The non-Federal con-
10 tributions may be in cash or in kind, fairly evaluated, in-
11 cluding plant, equipment, or services.

12 (e) REQUIREMENTS.—The Administrator may issue
13 such requirements as may be necessary to carry out this
14 section. The requirements shall take effect on issuance.

15 (f) AUTHORIZATION OF APPROPRIATIONS.—There
16 are authorized to be appropriated to carry out this section
17 \$20,000,000 for fiscal years 1999 through 2002.

18 (g) DEFINITIONS.—

19 (1) ADMINISTRATOR.—The term “Adminis-
20 trator” means the Administrator of the Small Busi-
21 ness Administration.

22 (2) COMMUNITY DEVELOPMENT VENTURE CAP-
23 ITAL ORGANIZATION.—The term “community devel-
24 opment venture capital organization” means—

1 (A) a private nonprofit organization that
 2 has a primary mission of promoting community
 3 development in low-income communities, as de-
 4 fined by the Administrator, through investment
 5 in private business enterprises or community
 6 development projects; and

7 (B) administers or is in the process of es-
 8 tablishing a community development venture
 9 capital fund for the purpose of making equity
 10 investments in private business enterprises or
 11 community development projects in such com-
 12 munities.

13 (3) INTERMEDIARY ORGANIZATION.—The term
 14 “intermediary organization” means a private, non-
 15 profit entity that provides technical assistance or fi-
 16 nancial assistance to community development ven-
 17 ture capital organizations, including organizations in
 18 the process of establishing community development
 19 venture capital funds.

20 **TITLE VI—REVENUE**

21 **PROVISIONS**

22 **SEC. 601. DENIAL OF DEDUCTION FOR PAYMENTS OF EX-**

23 **CESSIVE COMPENSATION.**

24 (a) IN GENERAL.—Section 162 of the Internal Reve-
 25 nue Code of 1986 (relating to deduction for trade or busi-

ness expenses) is amended by inserting after subsection
(h) the following new subsection:

“(i) EXCESSIVE COMPENSATION.—

“(1) IN GENERAL.—No deduction shall be allowed under this chapter for any excessive compensation with respect to any full-time employee.

“(2) EXCESSIVE COMPENSATION.—For purposes of this subsection, the term ‘excessive compensation’ means, with respect to any employee, the amount by which—

“(A) the compensation for services performed by such employee during the taxable year, exceeds

“(B) an amount equal to 25 times the lowest compensation for services performed by any other full-time employee during such taxable year.

“(3) DEFINITIONS AND SPECIAL RULES.—For purposes of this subsection—

“(A) COMPENSATION.—

“(i) IN GENERAL.—The term ‘compensation’ means salary, wages, and bonuses.

“(ii) PART-YEAR EMPLOYEES.—In the case of any part-year employee, the com-

1 pensation of the employee shall be com-
2 puted on an annualized basis.

3 “(B) EMPLOYER.—All persons treated as a
4 single employer under subsection (a) or (b) of
5 section 52 or subsection (m) or (o) of section
6 414 shall be treated as 1 employer.”

7 (b) EFFECTIVE DATE.—The amendment made by
8 this section shall apply to taxable years beginning after
9 the date of the enactment of this Act.

10 **SEC. 602. REPEAL OF DEFERRAL FOR INCOME OF CON-**
11 **TROLLED FOREIGN CORPORATIONS.**

12 (a) GENERAL RULE.—Section 952 of the Internal
13 Revenue Code of 1986 is amended to read as follows:

14 **“SEC. 952. SUBPART F INCOME.**

15 “(a) GENERAL RULE.—For purposes of this subpart,
16 the term ‘subpart F income’ means the earnings and prof-
17 its of the controlled foreign corporation for the taxable
18 year computed with the following adjustments:

19 “(1) There shall be excluded the amount of the
20 earnings and profits which are attributable to in-
21 come from sources within the United States which
22 is effectively connected with the conduct by the con-
23 trolled foreign corporation of a trade or business
24 within the United States, except to the extent such
25 income is exempt from taxation (or subject to a re-

1 duced rate of tax) pursuant to a treaty obligation of
2 the United States. For purposes of the preceding
3 sentence, income described in paragraph (2) or (3)
4 of section 921(d) shall be treated as derived from
5 sources within the United States.

6 “(2) In determining earnings and profits (or
7 the deficit in earnings and profits), the amount of
8 any illegal bribe, kickback, or other payment (within
9 the meaning of section 162(c)) shall not be taken
10 into account to decrease such earnings and profits or
11 to increase such deficit. The payments referred to in
12 the preceding sentence are payments which would be
13 unlawful under the Foreign Corrupt Practices Act of
14 1977 if the payor were a United States person.

15 “(3) Under regulations prescribed by the Sec-
16 retary, there shall be excluded the part of any earn-
17 ings and profits if it is established to the satisfaction
18 of the Secretary that such part could not have been
19 distributed by the controlled foreign corporation to
20 United States shareholders who own (within the
21 meaning of section 958(a)) stock of such controlled
22 foreign corporation because of currency or other re-
23 strictions or limitations imposed under the laws of
24 any foreign country.

1 “(4) Earnings and profits shall be determined
 2 without regard to paragraphs (4), (5), and (6) of
 3 section 312(n). Under regulations, the preceding
 4 sentence shall not apply to the extent it would in-
 5 crease earnings and profits by an amount which was
 6 previously distributed by the controlled foreign cor-
 7 poration.

8 Except as provided in this subsection and section
 9 312(k)(4), the earnings and profits of any foreign corpora-
 10 tion, and any deficit in earnings and profits of any foreign
 11 corporation, for any taxable year shall be determined ac-
 12 cording to rules similar to those applicable to domestic
 13 corporations, under regulations prescribed by the Sec-
 14 retary.

15 “(b) CERTAIN DEFICITS MAY BE TAKEN INTO AC-
 16 COUNT.—

17 “(1) TREATMENT OF CERTAIN PRIOR YEAR
 18 DEFICITS.—

19 “(A) IN GENERAL.—The amount included
 20 in the gross income of any United States share-
 21 holder under section 951(a)(1)(A)(i) for any
 22 taxable year with respect to any controlled for-
 23 eign corporation shall be reduced by the amount
 24 of such shareholder’s pro rata share of any

1 qualified deficit of such controlled foreign cor-
2 poration.

3 “(B) QUALIFIED DEFICIT.—For purposes
4 of this paragraph—

5 “(i) IN GENERAL.—The term ‘quali-
6 fied deficit’ means any deficit in the earn-
7 ings and profits of the controlled foreign
8 corporation for any prior taxable year
9 which began after December 31, 1998, and
10 for which such corporation was a con-
11 trolled foreign corporation, but only to the
12 extent such deficit has not previously been
13 taken into account under this paragraph.

14 “(ii) SPECIAL RULE FOR DEFICITS
15 BEFORE 1999.—The term ‘qualified deficit’
16 includes any deficit in earnings and profits
17 for any taxable year beginning before Jan-
18 uary 1, 1999, to the extent that such defi-
19 cit qualified as a qualified deficit under
20 subsection (c)(1)(B) of this section (as in
21 effect on the day before the date of the en-
22 actment of the Strategic Transitional Em-
23 ployment Act); except that any such deficit
24 may be taken into account under this para-
25 graph only to offset amounts attributable

1 to the same activity as the activity giving
2 rise to such deficit.

3 “(C) PRO RATA SHARE.—For purposes of
4 this paragraph, the shareholder’s pro rata share
5 of any deficit shall be determined under rules
6 similar to the rules of section 951(a)(2) for
7 whichever of the following yields the smallest
8 share:

9 “(i) the close of the taxable year, or
10 “(ii) the close of the taxable year in
11 which the deficit arose.

12 “(2) CERTAIN DEFICITS OF MEMBER OF THE
13 SAME CHAIN OF CORPORATIONS MAY BE TAKEN
14 INTO ACCOUNT.—

15 “(A) IN GENERAL.—A controlled foreign
16 corporation may elect to reduce the amount of
17 its subpart F income for any taxable year by
18 the amount of any deficit in earnings and prof-
19 its of a qualified chain member for a taxable
20 year ending with (or within) the taxable year of
21 such controlled foreign corporation. To the ex-
22 tent any deficit reduces subpart F income
23 under the preceding sentence, such deficit shall
24 not be taken into account under paragraph (1).

“(B) QUALIFIED CHAIN MEMBER.—For purposes of this paragraph, the term ‘qualified chain member’ means, with respect to any controlled foreign corporation, any other corporation which is created or organized under the laws of the same foreign country as the controlled foreign corporation but only if—

“(i) all the stock of such other corporation (other than directors’ qualifying shares) is owned at all times during the taxable year in which the deficit arose (directly or through 1 or more corporations other than the common parent) by such controlled foreign corporation, or

“(ii) all the stock of such controlled foreign corporation (other than directors’ qualifying shares) is owned at all times during the taxable year in which the deficit arose (directly or through 1 or more corporations other than the common parent) by such other corporation.

“(C) COORDINATION.—This paragraph shall be applied after paragraph (1).

“(3) DETERMINATION OF DEFICIT.—In determining the amount of any deficit in earnings and

1 profits, the adjustments set forth in subsection (a)
 2 shall apply.”

3 (b) SPECIAL RULES FOR INSURANCE COMPANIES.—
 4 Section 953 of the Internal Revenue Code of 1986 is
 5 amended by striking “section 952(a)(1)” in subsection (a)
 6 and inserting “this section”.

7 (c) REPEAL OF FOREIGN BASE COMPANY INCOME.—
 8 Section 954 of the Internal Revenue Code of 1986 is here-
 9 by repealed.

10 (d) REPEAL OF EXPORT TRADE CORPORATION PRO-
 11 VISIONS.—Subpart G of part III of subchapter N of chap-
 12 ter 1 of the Internal Revenue Code of 1986 (relating to
 13 export trade corporations) is hereby repealed.

14 (e) CONFORMING AMENDMENTS TO SUBPART F.—

15 (1) Subparagraph (A) of section 955(a)(1) of
 16 the Internal Revenue Code of 1986 is amended by
 17 inserting “(as in effect for taxable years beginning
 18 before 1999)” after “section 954(b)(2)”.

19 (2) Subsection (b) of section 955 of such Code
 20 is amended by striking “within the meaning of sec-
 21 tion 954(d)(3)” and inserting “within the meaning
 22 of section 964(a)”.

23 (3) Paragraph (2) of section 956(c) of such
 24 Code is amended by inserting “(as in effect on the
 25 day before the date of the enactment of the Strate-

1 gie Transitional Employment Program Act) or under
 2 section 952(a)(1)” after “section 952(b)” in sub-
 3 paragraph (H).

4 (4) Subsection (b) of section 958 of such Code
 5 is amended—

6 (A) by striking “954(d)(3), 956(b)(2), and
 7 957” and inserting “956(b)(2), 957, and
 8 964(a)”, and

9 (B) by striking “954(d)(3)” the second
 10 place it appears and inserting “964(a)”.

11 (5) Subsection (b) of section 959 of such Code
 12 is amended by striking “be also included in the gross
 13 income” and inserting “be also included in the sub-
 14 part F income”.

15 (6) Subsection (a) of section 964 of such Code
 16 is amended to read as follows:

17 “(a) RELATED PERSON.—For purposes of this part,
 18 a person is a related person with respect to a controlled
 19 foreign corporation, if—

20 “(1) such person is an individual, corporation,
 21 partnership, trust, or estate which controls, or is
 22 controlled by, the controlled foreign corporation, or

23 “(2) such person is a corporation, partnership,
 24 trust, or estate which is controlled by the same per-

1 son or persons which control the controlled foreign
2 corporation.

3 For purposes of the preceding sentence, control means,
4 with respect to a corporation, the ownership, directly or
5 indirectly, of stock possessing more than 50 percent of the
6 total voting power of all classes of stock entitled to vote
7 or of the total value of stock of such corporation. In the
8 case of a partnership, trust, or estate, control means the
9 ownership, directly or indirectly, more than 50 percent (by
10 value) of the beneficial interests in such partnership, trust,
11 or estate. For purposes of this paragraph, rules similar
12 to the rules of section 958 shall apply.”

13 (7) Section 964 of such Code is amended by
14 striking subsection (b).

15 (8) The table of sections for subpart F of part
16 III of subchapter N of chapter 1 of such Code is
17 amended by striking the item relating to section
18 954.

19 (f) OTHER CONFORMING AMENDMENTS.—

20 (1) Paragraph (2) of section 552(c) of the In-
21 ternal Revenue Code of 1986 is amended—

22 (A) by amending subparagraph (A) to read
23 as follows:

24 “(A) is received from a related person
25 which (i) is a corporation created or organized

1 under the laws of the same foreign country
2 under the laws of which the foreign corporation
3 involved was created or organized, and (ii) has
4 a substantial part of its assets used in its trade
5 or business located in such same foreign coun-
6 try, and”, and

7 (B) by striking “954(d)(3)” and inserting
8 “964(a)”.

9 (2) Subparagraph (B) of section 861(c)(2) of
10 such Code is amended by striking “954(d)(3)” and
11 inserting “964(a)”.

12 (3) Subparagraph (A) of section 864(d)(5) of
13 such Code is amended by striking clauses (ii), (iii),
14 and (iv).

15 (4) Subparagraph (A) of section 881(c)(4) of
16 such Code is hereby repealed.

17 (5) Clause (i) of section 904(d)(2)(A) is amend-
18 ed by inserting “, as in effect on the day before the
19 date of the enactment of the Strategic Transitional
20 Employment Act,” after “section 954(c)”.

21 (6) Subparagraph (D) of section 904(d)(2) is
22 amended—

23 (A) by inserting “, as in effect on the day
24 before the date of the enactment of the Strate-

1 gic Transitional Employment Act,” after
2 “954(f)”, and

3 (B) by inserting “or passive income” be-
4 fore the period at the end thereof.

5 (7) Subparagraph (H) of section 904(d)(2) is
6 amended by striking “954(d)(3)” and inserting
7 “964(a)”.

8 (8) Subparagraph (E) of section 904(d)(3) is
9 hereby repealed.

10 (9) Subparagraph (C) of section 988(a)(3) is
11 amended by striking “954(d)(3)” and inserting
12 “964(a)”.

13 (10) Subsection (c) of section 999 is amend-
14 ed—

15 (A) by striking “, 952(a)(3),” in para-
16 graph (1), and

17 (B) by striking “, the addition to subpart
18 F income under section 952(a)(3),” in para-
19 graph (2).

20 (11) The table of subparts for part III of sub-
21 chapter M of chapter 1 is amended by striking the
22 item relating to subpart G.

23 (g) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to taxable years of controlled for-
25 eign corporations beginning after December 31, 1998, and

1 to the taxable years of United States shareholders with
2 which (or in which) such taxable years of controlled for-
3 eign corporations end.

4 **SEC. 603. DEDICATION OF CORPORATE TAX BENEFITS TO**
5 **STEP.**

6 It is the sense of the Senate that any additional sums
7 necessary for the implementation of this Act not already
8 offset by the provisions of sections 601 and 602 should
9 be offset by reductions in the exclusion of income of For-
10 eign Sales Corporations under sections 921 through 927
11 and sections 991 through 997 of the Internal Revenue
12 Code of 1986.

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