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Community Services Block Grants (CSBG): Funding and Reauthorization

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Summary

Community Services Block Grants (CSBG), administered by the Department of Health and Human Services (HHS), provide federal funds to states, territories, and tribes for distribution to local agencies to reduce poverty. Related activities — Community Economic Development, Rural Community Facilities, Job Opportunities for Low-Income Individuals (JOLI), and Individual Development Accounts (IDAs) — also currently provide grants for anti-poverty efforts. CSBG and some of these related activities trace their history to the War on Poverty of the 1960s.

The Administration proposed in its FY2007 budget to eliminate continued funding for CSBG and remaining related activities, with the exception of IDAs. (Congress had already eliminated funding for two earlier national activities — the National Youth Sports and Community Food and Nutrition programs — in FY2006.) The Administration stated that CSBG lacks national performance standards, does not award grants on a competitive basis or hold grantees accountable for program results, and provides services that overlap with other federal programs. More recently, the Government Accountability Office (GAO) has issued a report faulting HHS for weak oversight of CSBG and recommended more focused monitoring of states and targeting of technical assistance (GAO-06-627).

In response to the Administration's FY2007 request, the House Labor-HHS-Education Appropriations Subcommittee approved a bill on June 7 that would have continued funding for CSBG at about two-thirds of its FY2006 level. The full House Appropriations Committee subsequently boosted this amount by \$19 million, approving \$449 million for the block grant, compared to \$630 million in FY2006. The House Committee would maintain Community Economic Development, Rural Community Facilities, and IDAs at current levels, although, as requested, would provide no funding for JOLI (H.R. 5647, reported on July 20). Meanwhile the Senate Appropriations Committee reported its bill on July 20 and would fund CSBG and related activities (including JOLI) at their full FY2006 levels (S. 3708).

In its FY2006 budget, the Administration also had requested no separate funding for CSBG and related programs (except for IDAs), but had proposed to consolidate their purposes and some funding in a Strengthening America's Communities Initiative (SACI) at the Commerce Department. Congress rejected this proposal, and the Administration proposed a modified version in its FY2007 budget. CSBG would no longer be a component of the SACI initiative; the Administration has now proposed to eliminate CSBG and related activities altogether.

Although Congress has continued to provide funding, authorization for CSBG and related activities expired with FY2003. The House and Senate each passed reauthorizations in the 108th Congress, and similar legislation is pending in the 109th (H.R. 341). The bills are intended to improve program quality and accountability, establish new activities, and improve monitoring and fiscal controls. A key controversy focuses on current law provisions that allow religious organizations to discriminate in hiring on the basis of religion. This report will be updated.

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Community Services Block Grants (CSBG): Funding and Reauthorization

Recent Developments

FY2007 Appropriations. The Senate Appropriations Committee on July 20 reported an FY2007 spending bill for the Departments of Labor, Health and Human Services (HHS), and Education that would maintain the Community Services Block Grant (CSBG) at its FY2006 funding level (S. 3708). Previously, on June 20, the House Appropriations Committee had reported legislation (H.R. 5647) that would reduce the block grant by almost 30% from its FY2006 funding level; this amount reflected a \$19 million increase from the recommendation of the House Labor-HHS-Education Appropriations Subcommittee, which would have cut the block grant's funding by about a third. The House Appropriations Committee would provide no funding for one of the current related activities — Job Opportunities for Low-Income Individuals (JOLI) — but both the House and Senate Committees would fund remaining activities at their FY2006 levels (Community Economic Development, Rural Community Facilities, and Individual Development Accounts). No floor action has yet occurred in either the House or Senate.

In its request for FY2007, the Bush Administration had proposed to zero out CSBG and related activities altogether, with the sole exception of Individual Development Accounts. As rationale for this proposal, the Administration stated that CSBG lacks national performance measures, does not award grants on a competitive basis or hold its grantees accountable for program results, and provides services that overlap with other programs. (See **Recent Appropriations History** and **Table 1**, at the end of this report, for further details on FY2007 and previous funding for CSBG and related activities.)

GAO Review. The Government Accountability Office (GAO) in July released a review of CSBG that had been requested by the House Education and the Workforce Committee in April 2005.¹ (GAO had revealed some of the findings of this review in February, in a letter submitted to HHS.²) GAO's review focused on

¹ *Community Services Block Grant Program: HHS Should Improve Oversight by Focusing Monitoring and Assistance Efforts on Areas of High Risk*, GAO-06-627, U.S. Government Accountability Office, June 2006. For an explanation of the House Education and the Workforce Committee's rationale in requesting this review, see [<http://edworkforce.house.gov/press/press109/first/04apr/gaocsbg041305.htm>] and for the Committee's reaction to the review, see [<http://edworkforce.house.gov/press/press109/second/07jul/csbgreport071106.htm>].

² "Community Services Block Grant Program: HHS Needs to Improve Monitoring of State (continued...)"

three elements: (1) HHS compliance with legal requirements and standards governing its oversight of state efforts to monitor local CSBG grantees; (2) efforts by states to monitor local grantee compliance with fiscal requirements and performance standards; and (3) targeting by HHS of its training and technical assistance funds and the impact of such assistance on grantee performance.

In its report, GAO stated that the Office of Community Services (OCS, the office within HHS that is charged with administering the CSBG) “lacks effective policies, procedures, and controls” to ensure its own compliance with legal requirements for monitoring states and with federal internal control standards. Specifically, GAO found that OCS had visited states as mandated by law but failed to issue reports to the states after the visits or annual reports to Congress, which also are mandated by law. OCS failed to meet internal control standards because their monitoring teams lacked adequate financial expertise; moreover, OCS lost the documentation from the monitoring visits to states. Finally, OCS was not systematic in its selection of states to visit, and did not use available information on state performance or collect other data to allow more effective targeting of its limited monitoring resources on states at highest risk of management problems.

In connection with its assessment of state efforts to monitor local grantees, GAO visited five states and found wide variation in the frequency with which they conducted on-site monitoring of local grantees, although officials in all states said they visited agencies with identified problems more often. States also varied in their interpretation of the law’s requirement that they visit local grantees at least once in a three-year period, and GAO noted that OCS had issued no guidance on this requirement. States reported varying capacities to conduct on-site monitoring and some states cited staff shortages; however, the states all performed other forms of oversight in addition to on-site visits, such as review of local agency reports (e.g., local agency plans, goals, performance data, and financial reports) and review of annual Single Audits where relevant. Several states coordinated local oversight with other federal and state programs, and also used state associations of Community Action Agencies to help provide technical assistance.

GAO found, with regard to federal training and technical assistance funds, that OCS targeted at least some of these funds toward local agencies with identified financial and program management problems, but generally was not strategic in allocating these funds and had only limited information on the outcome of providing such training and technical assistance.

GAO made five recommendations to OCS in its report (and HHS indicated its agreement and intent to act upon these recommendations). According to GAO, OCS should

² (...continued)

Grantees,” letter to Wade F. Horn, Assistant Secretary for Children and Families, Department of Health and Human Services, from the U.S. Government Accountability Office, February 7, 2006.

- conduct a risk-based assessment of states by systematically collecting and using information;
- establish policies and procedures to ensure monitoring is focused on the highest-risk states;
- issue guidance to states on complying with the requirement that they monitor local agencies during each three-year period;
- establish reporting guidance for training and technical assistance grants to OCS receives information on the outcomes for local agencies that receive such training or technical assistance; and
- implement a strategic plan for targeting training and technical assistance in areas where states feel the greatest need.

Response to Hurricane Katrina. On September 2, 2005, in response to the damage caused by Hurricane Katrina, HHS sent an Information Memorandum to CSBG administrators, regional and state Community Action Associations, and local Community Action Agencies, urging them to take “immediate steps” to support families disrupted by the storm. Assistant HHS Secretary Wade Horn suggested that all grantees, especially those in the affected areas, conduct a quick inventory of services and resources they could deploy to assist victims, including physical resources and the services of professionals such as doctors, social workers, mental health personnel and community workers. The memorandum also stated that CSBG funds could be used flexibly to cover the expanded services, and that declarations of eligibility could be adequate, at state option, since many affected individuals would lack identification and verifying materials. A subsequent information memorandum, dated October 6, provided more detailed guidance on determining eligibility of affected individuals and households for CSBG-funded services; described a new “evacuee designation status” for expediting access to benefits; described strategies for assisting individuals and families during the initial phases of relief and recovery; identified additional sources of support; and encouraged coordination and communication with emergency responders and service providers throughout the crisis assistance and recovery process.³

On September 21, 2005, Senators Enzi and Kennedy introduced the Community Services Disaster Assistance Act (S. 1745), which would have reauthorized appropriations for CSBG through FY2006. The bill would have allowed states to transfer a portion of their CSBG allotments to Louisiana, Mississippi, or Alabama; would have authorized HHS to waive income eligibility rules under CSBG in Katrina-related emergency or disaster areas; and would have authorized CSBG grantees to send their staff to such areas to help provide disaster assistance. On November 16, 2005, the House passed the Hurricane Regulatory Relief Act (H.R. 3975), a multi-purpose bill that would have authorized HHS to waive statutory deadlines for states to file CSBG applications and plans for up to 90 days; allowed states to temporarily fund alternative agencies when existing CSBG grantees in hurricane-affected areas were unable to provide services; and required states to

³ Office of Community Services (OCS) Information Memoranda, Transmittal No. 90, dated 9/2/05, and Transmittal No. 91, dated Oct. 6, 2005, are both available in PDF format on the ROMA: Results-Oriented Management and Accountability website [<http://www.roma1.org/index.asp>].

consult with affected eligible entities before recapturing and redistributing unobligated funds. Like S. 1745, the House-passed bill would have allowed states to transfer a portion of their CSBG allotments to hurricane-affected states and would have authorized CSBG-funded staff from other states to deliver disaster assistance in hurricane-affected states, although the language in the two bills was not identical. No further action has occurred on either bill.

Reauthorization. In connection with its FY2006 and FY2007 budget requests, the Administration has stated that it is no longer seeking reauthorization of CSBG and related activities. The funding authorization for these programs expired at the end of FY2003, although Congress has generally continued to fund them since then. Included in President Bush's FY2006 budget request was a proposed "Strengthening America's Communities Initiative" (SACI), which would have eliminated 18 existing community and economic development programs, including CSBG and several of the related national activities, and replaced them with a new program administered by the Commerce Department. This initiative was rejected, and a modified version was proposed as part of the FY2007 budget. However, the new proposal is no longer viewed as a successor to the CSBG. (For further information on the President's initiative, see **Administration Proposals**, later in this report.)

On January 25, 2005, Representative Osborne introduced H.R. 341, the Improving the Community Services Block Grant Act, which would amend and reauthorize the CSBG and related activities in their current form through FY2012. (For details of H.R. 341, see **Reauthorization** in this report.)

Background

Administered by the Department of Health and Human Services (HHS), the Community Services Block Grant (CSBG) program provides federal funds to states, territories and Indian tribes for distribution to local agencies in support of a variety of antipoverty activities. The origins of the Community Services Block Grant date back to 1964, when the Economic Opportunity Act (P.L. 88-452; 42 U.S.C. § 2701) established the War on Poverty and authorized the Office of Economic Opportunity (OEO) as the lead agency in the federal antipoverty campaign. A centerpiece of OEO was the Community Action Program, under which a nationwide network of local Community Action Agencies (CAAs) was developed. A key feature of Community Action is the direct involvement of low-income people in the design and administration of antipoverty activities, through mandatory representation on the CAAs' governing boards. Currently, at the local level, CAAs are the primary grantees of the CSBG.

In 1975, OEO was renamed the Community Services Administration (CSA), but remained an independent executive branch agency. In 1981, CSA was abolished and replaced by the CSBG, to be administered by HHS. At the time CSA was abolished, it was administering nearly 900 CAAs, about 40 local Community Development Corporations, and several small categorical programs that were typically operated by local CAAs. The CSBG Act was enacted as part of the Omnibus Budget

Reconciliation Act of 1981 (P.L. 97-35, Title VI, Section 671; 42 U.S.C. § 9901) as partial response to President Reagan’s proposal to consolidate CSA with 11 other social service programs into a block grant to states. Congress rejected this proposal and instead created two new block grants, the Social Services Block Grant, under Title XX of the Social Security Act, and the CSBG, which consisted of activities previously administered by CSA. The CSBG Act was reauthorized in 1984 under P.L. 98-558, in 1986 under P.L. 99-425, in 1990 under P.L. 101-501, in 1994 under P.L. 103-252, and in 1998 under P.L. 105-285. The authorizations for CSBG and related programs expired in FY2003. Reauthorization legislation was passed by the House and Senate during the 108th Congress but was not enacted; it remains an agenda item in the 109th Congress.

Several related national activities — Community Economic Development, Rural Community Facilities, Job Opportunities for Low-Income Individuals (JOLI), and Individual Development Accounts (IDAs) — also offer grants to assist local low-income communities with economic development, rural housing and water management, and asset development for low-income individuals, among other services. These activities are administered at the federal level by the same Office of Community Services at HHS that administers the CSBG, and in some cases, are also authorized by the CSBG Act. Prior to FY2006, national activities that received separate appropriations also included the National Youth Sports and Community Food and Nutrition programs.

This report provides background on the CSBG program and related activities and a funding history, and addresses current budget issues and legislative activity, including reauthorization of these programs.

The Block Grant

Use of Funds. CSBG funds are used for activities designed to have a “measurable and potentially major impact on causes of poverty.” The law envisions a wide variety of activities undertaken on behalf of low-income families and individuals, including those who are welfare recipients, homeless, migrant or seasonal farm workers, or elderly. States must submit an application and plan to HHS, stating their intention that funds will be used for activities to help families and individuals achieve self-sufficiency, find and retain meaningful employment, attain an adequate education, make better use of available income, obtain adequate housing, and achieve greater participation in community affairs. In addition, states must ensure that funds will be used to address the needs of youth in low-income communities; coordinate with related programs, including state welfare reform efforts; and ensure that local grantees provide emergency food-related services.

Local Delivery System. States are required to pass through at least 90% of their federal block grant allotments to “eligible entities” — primarily (but not exclusively) Community Action Agencies (CAAs) that had been designated prior to 1981 under the former Economic Opportunity Act. The distribution of these funds among local agencies is left to the discretion of the state, although states may not terminate funding to an eligible entity or reduce its share disproportionately without determining cause, after notice and an opportunity for a hearing. There are more than 1,000 eligible entities around the country, the majority of which are private nonprofit

organizations. Many of these organizations contract with others in delivering various services. Once designated as an eligible entity for a particular community, an agency retains its designation unless it voluntarily withdraws from the program or its grant is terminated for cause. Eligible entities are monitored within a systematic schedule; return visits are made when goals are not met. In designating new or replacement entities, states may select a public agency only when no qualified private nonprofit organization is available, in accordance with the 1998 CSBG amendments.

Local activities vary depending on the needs and circumstances of the local community. Each eligible entity, or CAA, is governed by a board of directors, of which at least one-third are representatives of the low-income community. Under the 1998 amendments to the CSBG Act, low-income board members must live in the community that they represent. Another third of the board members must be local elected officials or their representatives, and the remaining board members represent other community interests, such as business, labor, religious organizations, and education. A public entity must either have a governing board with low-income representation as described above, or another mechanism specified by the state to assure participation by low-income individuals in the development, planning, implementation and evaluation of programs.

There is no typical CAA, since each agency designs its programs based on a local community needs assessment. Examples, however, of CSBG-funded services include emergency assistance, home weatherization, activities for youth and senior citizens, transportation, income management and credit counseling, domestic violence crisis assistance, parenting education, food pantries, and emergency shelters. In addition, local agencies provide information and referral to other community services, such as job training and vocational education, depending on the needs of individual clients.

State Role. At the state level, a lead agency must be designated to develop the state application and plan. As noted above, states must pass through at least 90% of their federal CSBG allotment to local eligible entities. States also may use up to \$55,000 or 5% of their allotment, whichever is higher, for administrative costs. Remaining funds may be used by the state to provide training and technical assistance, coordination and communication activities, payments to assure that funds are targeted to areas with the greatest need, supporting “asset-building” programs for low-income individuals (such as Individual Development Accounts, discussed later), supporting innovative programs and activities conducted by local organizations, or other activities consistent with the purposes of the CSBG Act. In addition, as authorized by the 1998 amendments, states may use some CSBG funds to offset revenue losses associated with any qualified state charity tax credit.

Allocation of Funds. Of funds appropriated annually under the CSBG Act, HHS is required to reserve 1.5% for training and technical assistance and other administrative activities, and half of this set-aside must be provided to state or local entities. In addition, 0.5% of the appropriation is reserved for outlying territories (Guam, American Samoa, the Virgin Islands, and the Northern Mariana Islands). The law further requires that 9% of the total appropriation be reserved for certain related activities, which are described below, and that the remainder be allocated among the states. In practice, however, Congress typically specifies in annual

appropriations laws exactly how much is to be made available for the block grant and each of the related activities. Block grant funds are allotted to states (including Puerto Rico) based on the relative amount received in each state, in FY1981, under a section of the former Economic Opportunity Act. HHS may allow Indian tribes to receive their allotments directly, rather than through the state.

CSBG Program Data

The *Community Services Block Grant Statistical Report FY 2004* is based on responses from 50 states, the District of Columbia, and Puerto Rico to a survey administered by the National Association for State Community Services Programs.⁴ According to this survey, the nationwide CSBG network received funding from all sources — federal, state, local, and private — totaling \$9.7 billion in FY2004. Of this total, \$594 million came from the federal block grant, and almost \$1 billion came from private sources. In addition, volunteers provided more than 44 million hours of support to the CSBG network. Almost all counties in the United States — 99% — were served by a CSBG-eligible entity.

According to this survey, almost 75% of families served by the CSBG network in FY2004 had incomes below the federal poverty guidelines, and of these, about two-thirds had incomes below 75% of the federal poverty guidelines. More than half — 56% — of families served by the CSBG network in FY2004 included children, and of these families, 58% were headed by single mothers, and 5% were headed by single fathers. Nearly half of the families served by the CSBG network in FY2004 included a member who was currently working, recently unemployed, or retired. More than half of the individuals served by the network were white (61%), while 27% were African-American, 3% were multiracial, and 9% were of other races. Of the total, 20% were Hispanic. In general, according to a summary of the study, CSBG participants are very poor, live in families with children, are working or recently worked at the time they request help, represent the ethnic diversity of the poverty population, have few tangible assets, and lack education and employable skills.

Related Activities

In addition to the block grant itself, the CSBG Act authorizes several related national activities that are administered through the Office of Community Services within HHS. Also, two other programs that are not directly authorized by the CSBG Act — Job Opportunities for Low-Income Individuals and Individual Development Accounts — are administered by the Office of Community Services and are included in the six separate activities described below. Funding authorization for all these activities expired at the end of FY2003; however, Congress has continued to fund them, with some recent exceptions (see **Table 1**).

⁴ *Highlights: Community Services Block Grant Information System Statistical Report, FY2004*, and *Community Services Network: The Community Services Block Grant in Action, Fiscal Year 2004*, National Association for State Community Services Programs, Washington, D.C.; available at [<http://www.nascsp.org/Publications.htm>].

Community Economic Development. The Community Economic Development program helps support local community development corporations (CDCs) to generate employment and business development opportunities for low-income residents. Projects must directly benefit persons living at or below the poverty level and must be completed within 12 to 60 months of the date the grant was awarded. Preferred projects are those that document public/private partnership, including the leveraging of cash and in-kind contributions; and those that are located in areas characterized by poverty, a Temporary Assistance for Needy Families (TANF) assistance rate of at least 20%, high levels of unemployment or incidences of violence, gang activity, and other indicators of socioeconomic distress.

During FY2006, HHS expected to support 45 grants, of which 37 would be new and eight were continuations, plus four contracts and one interagency agreement, according to agency budget documents.

Job Opportunities for Low-Income Individuals (JOLI). JOLI is authorized under the Family Support Act of 1988, (P.L. 100-485, Section 505), and as amended, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, (P.L. 104-193, Section 112).⁵ Although JOLI is not authorized under the CSBG Act, it is funded and administered as one of the CSBG-related activities. JOLI funds are awarded on a competitive basis to community based, non-profit and tax-exempt organizations, including community development corporations, faith-based, charitable, and tribal organizations. Organizations awarded grants must demonstrate and evaluate ways of creating new employment opportunities with private employers for individuals who receive TANF and for other individuals whose family income level does not exceed 100% of the official poverty guidelines. Examples of these projects include self-employment and micro-enterprise, new businesses, expansion of existing businesses, or creating new jobs or employment opportunities. Funds for this project cannot be used for new construction or for the purchase of real property.

For FY2006, HHS expected to support 10 new grants, three contracts and one interagency agreement, according to agency budget documents.

Rural Community Facilities. Funds are for grants to public and private nonprofit organizations for rural housing and community facilities development projects to train and offer technical assistance on the following: home repair to low-income families, water and waste water facilities management, and developing low-income rental housing units.

During FY2006, HHS expected to support eight new grants, two contracts, and one interagency agreement, according to agency budget documents.

⁵ JOLI is one of several — mostly larger — programs that would have been covered by a broad waiver authority proposed by the Bush Administration as part of its welfare reform initiative. The waiver was included in various versions of welfare reform legislation in the 107th through 109th Congresses but not in the final law (P.L. 109-171). See CRS Report RS21219, “*Superwaiver*” *Proposals in Current Welfare Reform Debate*, by Karen Spar.

National Youth Sports Program. Under this program, a grant traditionally was made to a single organization, i.e., the National Collegiate Athletic Association, to provide recreational and instructional services for low-income youth, typically on college campuses. In FY2005, one award was made; no funding was provided for this program in FY2006.

Community Food and Nutrition Program. This program authorized grants to public and private nonprofit organizations to coordinate food assistance resources, to help identify potential sponsors of child nutrition programs and to initiate programs in areas with inadequate food assistance resources, and to develop innovative approaches at the state and local level to meet the nutritional needs of low-income people. Authorizing legislation required that 60% of the amount appropriated (up to \$6 million), must be allocated to states for statewide programs and 40% must be awarded on a competitive basis. Amounts appropriated in excess of \$6 million were allotted as follows: 40% awarded to eligible agencies for statewide grants; 40% awarded on a competitive basis for local and statewide programs; and 20% awarded on a competitive basis for nationwide programs, including programs benefitting Native Americans and migrant farm workers.

FY2005 funding for this program was expected to support 104 new grants, one contract, and two interagency agreements. No funding was provided in FY2006.

Individual Development Accounts. The Assets for Independence Act (Title IV, P.L. 105-285) initially provided for a five-year demonstration initiative to encourage low-income people to accumulate savings. Individual Development Accounts (IDAs) are dedicated savings accounts that can be used for specific purposes, such as buying a first home, paying for college, or starting a business. Funds are for non-profit community groups, localities, states, or credit unions serving low-income people. Contributions are matched, and participants are given financial and investment counseling. Non-profit groups can apply for grant funds as individual organizations or jointly. Also, a state or local government agency or a tribal government can apply jointly with one or more non-profit organizations. Collaboration with a financial or for-profit community development corporation is allowed. States that had committed at least a million dollars (using non-federal funds) to a statewide IDA program as of the date of enactment are eligible for direct funding from HHS.

To conduct the demonstration, grants are made to public or private nonprofit organizations that can raise an amount of private and public (nonfederal) funds that is equal to the federal grant; federal matches into IDA cannot exceed the non-federal matches. The maximum federal grant is \$2 million a year. For more information on IDAs, see CRS Report RS22185, *Individual Development Accounts (IDAs): Background and Current Legislation for Federal Grant Programs to Help Low-Income Families Save*, by Gene Falk; and CRS Report RS21813, *Tax Credits for Individual Development Accounts*, by Christine Scott.

Administration Proposals

Zero Funding Request for FY2007

The Administration requested no further funding for the CSBG or any related activities (with the sole exception of IDAs) in its FY2007 budget package submitted to Congress on February 7, 2006. As rationale, the Administration stated that the program lacks performance measures, does not award grants competitively, and does not hold grantees accountable for program results.⁶ HHS noted that CSBG received a “Results Not Demonstrated” rating by the Program Assessment Rating Tool.⁷ The Administration further justified its zero-funding request by stating that key CSBG services such as employment, housing, nutrition, and health care are provided by other federal programs.⁸

Strengthening America’s Community Initiative (SACI)

President Bush’s FY2006 budget request included a proposal to eliminate 18 existing community and economic development programs and replace them with a new “Strengthening America’s Communities Initiative.”⁹ Programs to be included were the Community Services Block Grant and some of the related activities discussed in this report. In conjunction with the SACI proposal, the Administration requested no separate funding in FY2006 for CSBG, Community Economic Development, JOLI, or Rural Community Facilities.

Programs to be included in the proposed SACI were administered by various federal agencies, including HHS and the Department of Housing and Urban Development (HUD); however, the Administration proposed to base the new initiative in the Department of Commerce. The President requested \$3.7 billion for FY2006 to fund SACI; programs that would have been included were funded in FY2005 at an estimated total of \$5.6 billion. The largest program proposed for inclusion was HUD’s Community Development Block Grant (CDBG), funded in FY2005 at \$4.1 billion.

Three separate congressional committees held hearings on the SACI proposal, including the House Government Reform Subcommittee on Federalism and the Census (March 1, 2005), the House Transportation and Infrastructure Subcommittee on Economic Development, Public Buildings and Emergency Management (March 17, 2005), and the House Financial Services Committee (April 6, 2005). In general, the congressional response was not enthusiastic. In reporting the FY2006 budget

⁶ Administration for Children and Families, HHS, appropriations justifications, FY2007, p. D-125.

⁷ For a discussion of this assessment process, see CRS Report RL32663, *The Bush Administration’s Performance Rating Assessment Tool (PART)*, by Clinton Brass.

⁸ Office of Management and Budget, *The Budget for Fiscal Year 2007*, p. 118.

⁹ See CRS Report RL32823, *An Overview of the Administration’s Strengthening America’s Communities Initiative*, by Eugene Boyd, et al.

resolution (H.Con.Res. 95), the House Budget Committee stated: “Community Services Block Grants provide invaluable assistance to low-income families and communities. These funds are used to build healthy and stable communities. Due consideration should be given to this program before Congress implements any changes.” Formal legislation to establish the SACI initiative was not submitted or introduced during the first session of the 109th Congress.

In its FY2007 budget request, the Administration proposed a modified version of the Strengthening America’s Communities Initiative, which would reform certain programs but maintain them at their current agencies. Most notably, the Community Development Block Grant would remain at HUD. This latest version of SACI, however, contained no mention of Community Services Block Grants or the related programs discussed in this report. Rather, as discussed above, the Administration has now proposed to eliminate CSBG and related activities altogether.

Separate from the SACI proposal, the Administration requested no funding in FY2006 for two additional CSBG-related activities — the National Youth Sports Program and the Community Food and Nutrition Program — stating that they duplicated activities that could be provided by such programs as the Social Services Block Grant or those administered by the U.S. Department of Agriculture’s (USDA) Food and Nutrition Service. As described later in this report, under **Recent Appropriations History**, Congress rejected the SACI proposal and chose to continue separate funding in FY2006 for the CSBG, Community Economic Development, and Rural Community Facilities. However, as requested by the Administration, no funding was provided for National Youth Sports or Community Food and Nutrition.

Request for IDAs

Individual Development Accounts, authorized by the expired Assets for Independence Act, are the only CSBG-related activity for which the Administration requested funding in either FY2006 or FY2007. The President’s budget requests \$24.5 million for this program in FY2007, which is the same level provided in FY2006 (post-rescission). HHS budget documents state that the program received an “Adequate” PART assessment, and that the Department supports reauthorization of the program and will pursue efforts — both administratively and in legislation — to improve program flexibility, encourage program simplification, and increase participation eligibility.

Reauthorization

On January 25, 2005, Representative Osborne introduced H.R. 341, the Improving the Community Services Block Grant Act, which is virtually identical (except for dates) to legislation passed by the House during the 108th Congress (H.R. 3030).¹⁰ H.R. 341 would reauthorize the CSBG and related activities through FY2012, and was referred to the House Education and the Workforce Committee, where no action has yet occurred. (See **Recent Developments**, at the beginning of this report, for discussion of a Government Accountability Office review of CSBG, which was requested by the Education and the Workforce Committee.) In his introductory remarks, Representative Osborne noted key provisions of H.R. 341, such as promoting increased quality and accountability of CSBG programs, encouraging initiatives to improve conditions and eliminate barriers to self-sufficiency in rural areas, and providing youth mentoring services to address education needs and crime.

Other provisions of H.R. 341 would

- change the definition of the “eligible entity” by requiring such entities to establish and meet local goals as well as state goals, standards and requirements;
- require that a state take swift action to improve the performance or terminate funding of low-performing eligible entities or ones that failed to meet local and state requirements;
- provide that a state justify to the Secretary its continued support of low-performing eligible entities;
- require a state to use funds to improve economic conditions and remove barriers to self-sufficiency for the rural poor;
- require a local eligible entity to establish goals for reducing poverty in the community;
- base subsequent grant awards on the success or failure of an eligible entity in meeting goals;
- prohibit a religious organization providing services under provisions of this act from discriminating against a person seeking assistance because of religion or a religious belief;
- require the Secretary to establish procedures that would allow grant funds or intangible assets acquired with grant funds to become the sole property of the grantee if the grantee agrees to continue to use the funds or property for the purposes for which the grant was provided;
- add water and wastewater facility needs to activities allowed for rural community development; and
- add improvement of academic achievement to the goals of national or regional programs designed to provide instruction activities.

During the 108th Congress, the Committee reported and the House passed legislation, H.R. 3030 (virtually identical to the currently pending H.R. 341), while

¹⁰ H.R. 3030 contained an unrelated unemployment compensation provision, which is not included in H.R. 341.

the Senate passed S. 1786, the Poverty Reduction and Prevention Act. Conferees never met to resolve differences in the two bills, and CSBG remains an agenda item for the 109th Congress. Both bills in the 108th Congress would have reauthorized CSBG and related programs at such sums as necessary, except for the National Youth Sports Program, which would have been reauthorized at \$15 million annually by the House bill and \$18 million by the Senate bill. The following compares provisions of H.R. 3030 and S. 1786 from the 108th Congress; readers should note that H.R. 341, now pending in the 109th Congress, contains the same provisions as H.R. 3030.

Program Goals. H.R. 3030 and S. 1786 contained similar provisions concerning goals of eligible entities. H.R. 3030 would have required entities to establish and meet locally determined goals for reducing poverty in the community. It would also have added “improving academic achievement” to the list of required goals. Both bills would have required an entity to include goals for leveraging community resources, fostering coordination of federal, state, local, private and other assistance, and promoting community involvement.

S. 1786 would have provided that grants to states support both improving the causes of poverty and the conditions that cause poverty. The measure would have revised the poverty line determination; it would have allowed a state to raise its eligibility threshold to a minimum of 125% of the federal poverty line or a maximum of 60% of state median income; however, the state would have had to give priority to serving individuals with the lowest income who sought services. Also, S. 1786 would have made a tripartite board the sole mechanism for determining consideration of eligible entities, and thus would have eliminated current provisions that allow a state to specify another mechanism for doing so. H.R. 3030 did not contain provisions concerning the poverty eligibility threshold or the role of a tripartite board in determining an eligible entity.

State Plan Requirements. H.R. 3030 and S. 1786 would have revised state application and plan requirements. H.R. 3030 would have specified that youth development activities may include mentoring programs. The bill also would have added, as a use of funds to be included in the state plan, “initiatives to improve economic conditions and mobilize new resources in rural areas to eliminate obstacles to the self-sufficiency of families and individuals in rural communities.” S. 1786 would have revised the current state plan provisions by requiring not only that the Secretary review the plan but also approve it. Among information for inclusion in a state’s plan submitted to the Secretary was an assurance that grant funds would be used for the following purposes: to improve literacy, communications, and technical skills of participant low-income families; for initiatives to assist those moving from welfare to work to obtain jobs at decent wages with benefits; for initiatives to increase the development of household assets of individuals (such as individual development accounts and home-ownership opportunities); to improve economic conditions and mobilize new resources in rural and other at-risk areas to eliminate obstacles to the self-sufficiency of persons in those communities, and for initiatives to reduce the concentration of poverty in cities and inner suburbs and provide economic opportunities for persons in those areas; and in support of partnerships with nonprofit or community-based organizations that address child abuse prevention, including programs that are school-based and that focus on adolescent victims, and victimizers.

Training and Technical Assistance. Both bills contained training and technical assistance provisions. H.R. 3030 would have added “dissemination regarding best practices” to the use of funds by the Secretary. S. 1786 would have revised training and technical assistance provisions by devising, in consultation with national and state networks of eligible entities, a strategic plan for annual technical assistance; and would have improved management information and reporting systems by developing a common state financial and organizational protocol.

Grantee Funding Reduction or Termination. Provisions relating to reducing or terminating funding for eligible entities were included in H.R. 3030 and S. 1786. H.R. 3030 would have allowed, but not required, the Secretary to review determinations by a state to reduce or terminate funding to an eligible entity. Further, the bill would have amended the definition of “cause” in the case of a funding reduction to include failure to meet poverty reduction goals. States would have been required to give priority to entities that received funding on the date of enactment, if they fulfilled their poverty reduction goals. If no entity was entitled to such priority, the state would designate another entity from qualified applicants. H.R. 3030 also would have required states to replace the lowest performing existing grantees beginning in FY2005. S. 1786 would have established procedures for termination of designation as an eligible entity or reduction of funding by giving eligible entities a right to a public hearing on a state decision; changing from 90 to 30 days the time frame within which the Secretary must have made a determination concerning a state’s decision to terminate or to reduce funding for an eligible entity; and requiring the Secretary to continue funding the entity at its previous year’s level until a decision was made on a state’s action.

Grantee Monitoring and Fiscal Controls. Both measures would have amended current provisions of the CSBG Act relating to monitoring eligible entities. H.R. 3030 would have required federal reviews to determine whether local performance goals were being met. S. 1786 would have changed current law requirements for full on-site federal reviews of eligible entities every three years to a biennial basis. In addition, S. 1786 would have required an annual follow-up visit to entities that failed to meet state-established goals.

S. 1786 would have addressed fiscal controls by requiring states to submit a separate audit of CSBG funds to the Secretary covering disbursements to eligible entities, use of state administrative funds, and disbursement of state discretionary funds; H.R. 3030 contained no such provisions. S. 1786 would have authorized the Secretary to withhold administrative funds from states that were not in compliance with the CSBG Act and provide funds directly to the eligible entities. H.R. 3030 and S. 1786 would have provided that funding be directed at improving the self-sufficiency of families and individuals in rural communities.

Both H.R. 3030 and S. 1786 contained similar provisions that would have authorized the Secretary to allow grantees to keep assets obtained with program funds. H.R. 3030 would have allowed the Secretary to add water and waste water treatment to the list of community facility needs. H.R. 3030 would have allowed funds to be used for construction or substantial rehabilitation of buildings and facilities and for loans or investments in private business enterprises owned by community development corporations. S. 1786 would have authorized the Secretary

to allow funds for long-term loans or investments for private business enterprises, capital to businesses owned by community development corporations, and marketing and management assistance for businesses providing jobs and business opportunities to low-income individuals.

Faith-Based Organizations. Another key provision of H.R. 3030 and S. 1786 related to the participation of faith-based organizations in CSBG-funded programs. H.R. 3030 would have prohibited discrimination against a beneficiary or potential beneficiary of the program on the basis of religion. S. 1786 would have added religion to current provisions of the CSBG Act that prohibit exclusion of a person from program participation based on color, national origin, sex, or age. S. 1786 also would have amended current law, which requires government agencies to consider participation of religious organizations on the same basis as other nongovernmental organizations, to require religious organizations to meet requirements of the act.

There was debate on H.R. 3030 both in the House Committee on Education and the Workforce and on the House floor on provisions in current law that allow a religious organization to discriminate in hiring. The Committee defeated an amendment that would have prevented a grantee from using religion as a basis for discriminating against a job applicant and agreed to one that would have prohibited a religious organization from using religion or a religious belief as a basis for discriminating against a person *seeking program services*.

After considering a number of amendments, the House passed H.R. 3030 on February 4, 2004. The House rejected H.Amdt. 459 (Woolsey) in the nature of a substitute that would have prohibited organizations from using CSBG funds to discriminate in hiring on the basis of religion. The House rejected both H.Amdt. 460 (Robert Scott) which would have required organizations to separate their religious services or activities from programs that used CSBG funds and H.Amdt. 461 (Robert Scott) which would have prohibited the use of federal CSBG funds to discriminate in hiring based on religion. (See CRS Report RL32736, *Charitable Choice Rules and Faith-Based Organizations*, by Joe Richardson, for a discussion of these rules and the CSBG).

Recent Appropriations History

FY2007

House Action. As noted earlier in this report, the Administration requested no funding for the CSBG or any related activities in FY2007, except for IDAs. In the first congressional response to this request, the House Labor-HHS-Education Appropriations Subcommittee approved legislation on June 7, that would have continued funding for CSBG, but at a reduced level. Specifically, the Subcommittee would have provided \$430.4 million for the CSBG in FY2007, for about a one-third reduction from its FY2006 level. This amount was increased by \$19 million when the full Appropriations Committee reported the FY2007 spending bill with a total of \$449 million for the block grant (H.R. 5647). In its report on the bill (H.Rept. 109-

515), the House Committee acknowledged the funding reduction for the block grant and expressed concern about the impact of this reduction on rural areas. “Rural areas depend on these funds to provide the infrastructure to deliver antipoverty activities. Therefore, the Committee encourages the authorizing Committee of jurisdiction [i.e., the House Education and the Workforce Committee] to review the funding allocations for the Community Services Block Grant to ensure that limited funding is reaching those areas with the greatest need.”

The Subcommittee and full Committee rejected Administration proposals to eliminate two national activities and instead would provide the same level of funding as available in FY2006 for Community Economic Development and Rural Community Facilities. As requested, however, no funding was recommended by either the Subcommittee or full House Appropriations Committee for the JOLI program in FY2007. The IDA program would be maintained at its FY2006 level.

Senate Action. The Senate Appropriations Committee reported its version of the FY2007 spending bill for Labor, HHS and Education on July 20, approving the same level of funding for CSBG and currently funded related activities (including JOLI) as they received for FY2006 (S. 3708). Explaining its decision regarding the block grant, the Senate Committee stated in its report (S.Rept. 109-287), “The Nation’s Community Action Agency network relies on CSBG funding to help initiate and administer programs designed to alleviate poverty. The universal characteristic of these CSBG-funded programs is that they provide people with the resources and the tools to become self-sufficient.”

See **Table 1** for CSBG funding from FY2002 through FY2006, compared with the House and Senate Committee levels for FY2007.

FY2006

Full-Year Appropriations Bill. A full-year FY2006 appropriations for the Departments of Labor, HHS, and Education was enacted on December 30, 2005, and provided generally level funding for the CSBG and most related activities (P.L. 109-149). However, two long-standing national activities — the National Youth Sports Program (NYSP) and the Community Food and Nutrition Program (CFNP) — received no funding in this act, as proposed by the Administration. In their respective versions of the bill (H.R. 3010), the House chose to eliminate funding for CFNP while the Senate would have continued funding at the FY2005 level. Both the House and the Senate Appropriations Committee, in its reported version of H.R. 3010, chose to zero out funding for NYSP. The Senate approved a floor amendment offered by Senators Domenici and Bayh, adding \$10 million for the program, but these funds were dropped in conference.

Under the full-year spending law for FY2006, the following amounts were provided: CSBG, \$637 million; Community Economic Development, \$32.7 million (which includes \$5.4 million for the Job Opportunities for Low-Income Individuals program); \$7.4 million for Rural Community Facilities; and \$24.7 million for Individual Development Accounts. Also enacted on December 30, 2005, however, was the FY2006 appropriations law for the Department of Defense (P.L. 109-148), which included a mandatory 1% across-the-board rescission from all non-emergency

discretionary appropriations provided for FY2006. This mandatory rescission affects final FY2006 funding levels for CSBG and related activities; post-rescission levels are shown in **Table 1**.

Continuing Resolutions. A series of continuing resolutions kept CSBG and related activities alive from the beginning of FY2006 until P.L.109-149 was signed on December 30. (These were P.L. 109-77, P.L. 109-105, and P.L. 105-128.) Under the terms of the continuing resolution, programs were funded at one of several levels. If the House had passed a full-year appropriations bill but the Senate had not by the beginning of FY2006, then programs were funded at the lower of the House-passed or the FY2005 level. If, however, the House had provided no funding for a particular program in its FY2006 appropriations bill, then that program was funded at its FY2005 level.

While the continuing resolutions were in effect, therefore, CSBG was funded at an annualized level of \$320 million, which was the amount approved by the House in its version of H.R. 3010 and which represented almost a 50% cut from the FY2005 level. During Senate consideration of the first continuing resolution enacted for FY2006 (P.L. 109-77), Senator Harkin offered an amendment that would have maintained the CSBG at its FY2005 level, rather than the lower House-passed level. This was the only amendment offered to the continuing resolution, and was defeated by a vote of 39 to 53.

**Table 1. Enacted Funding for CSBG and Related Activities,
FY2002-FY2006, and Proposed for FY2007^d**
(\$ in millions)

Program	FY2002	FY2003	FY2004 ^a	FY2005 ^b	FY2006 ^c	FY2007 House Committee	FY2007 Senate Committee
Block Grant	\$649.97	\$645.76	\$645.8	\$636.79	\$630.00	\$449.04 ^e	\$630.43
Community Economic Development	26.97	27.08	32.5	27.30	32.38 ^f	27.02	32.40 ^f
Job Opportunities for Low-Income Individuals (JOLI)	5.5	5.46	5.43	5.44	^f	0	^f
Rural Community Facilities	7.0	7.20	7.20	7.24	7.29	7.37	7.37
National Youth Sports Program	17.0	16.89	17.89	17.86	0	0	0
Community Food and Nutrition	7.31	7.28	7.24	7.18	0	0	0
Individual Development Accounts	24.94	24.83	24.69	24.70	24.45	24.45	24.45
Total	\$738.69	\$734.50	\$740.75	\$726.51	\$694.10	\$507.88	\$694.65

Source: Table prepared by the Congressional Research Service (CRS). Sources of data are agency budget justifications and congressional appropriations documents.

a. Funding reflects a 0.59% across-the-board rescission as mandated by the Consolidated Appropriations Act, 2004 (P.L. 108-199).

b. Funding reflects a 0.80% across-the-board rescission as mandated by the Consolidated Appropriations Act, 2005 (P.L. 108-447).

c. Funding reflects a 1% across-the-board rescission as mandated by the Defense Department Appropriations Act, 2006 (P.L. 109-148). See text on page 16 of this report for pre-rescission levels. Amounts shown also reflect transfers made by the Secretary of HHS. The *pre-transfer post-rescission* amounts were \$630.43 million for the block grant, \$32.40 million for Community Economic Development, and \$694.57 million for the total of programs shown in this table. Reductions in Rural Community Facilities and IDAs are negligible and masked by rounding.

d. The Administration requested no funding for programs included in this table for FY2007, with the exception of Individual Development Accounts. The Administration proposed \$24.45 million for IDAs in FY2007.

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- e. Amount shown is the level approved by the full House Appropriations Committee; the Labor-HHS-Education Appropriations Subcommittee earlier had approved \$430.43 million for the block grant.
- f. Amounts shown for Community Economic Development include funding for JOLI grants.