Community Services Block Grants (CSBG): Background and Funding

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Summary

Community Services Block Grants (CSBG) provide federal funds to states, territories, and tribes for distribution to local agencies to support a wide range of community-based activities to reduce poverty. Smaller related programs—Community Economic Development (CED), Rural Community Facilities, Job Opportunities for Low-Income Individuals (JOLI), and Individual Development Accounts (IDAs)—also support anti-poverty efforts. CSBG and some of these related activities trace their roots to the War on Poverty, launched in the 1960s. Today, they are administered at the federal level by the Department of Health and Human Services (HHS).

CSBG and related activities—and most government programs—have been operating in FY2012 under a series of continuing resolutions (CRs). The most recent goes through December 16, 2011 (P.L. 112-55). The CR generally funds discretionary programs at FY2011 levels, reduced by 1.503%.

For FY2011, CSBG and related activities also operated under a series of short-term CRs until a final CR was enacted on April 15 (P.L. 112-10), which provided funding through the end of the fiscal year. Under that law, as implemented by HHS, CSBG and related programs received a total of $727 million, which was down from the FY2010 level of $773 million. Final amounts included $679 million for the block grant (down $21 million from FY2010); $18 million for CED (a 50% reduction from FY2010); and $5 million for Rural Community Facilities (also a 50% reduction from FY2010). Final FY2011 funding for JOLI was $2.6 million (down $1 million from FY2010), and $24 million for IDAs (essentially unchanged from FY2010).

For FY2012, President Obama released a detailed budget request on February 14, 2011, seeking $350 million for CSBG. Coupled with this request was the intent to move toward a competitive program; states would award block grant funds among local agencies competitively, rather than via the mandatory pass-through to designated “eligible entities.” The Administration sought $20 million for CED, $24 million for IDAs, and zero for Rural Community Facilities and JOLI.

The Senate Appropriations Committee reported an FY2012 spending bill for the Departments of Labor, HHS, and Education on September 22 (S. 1599, S.Rept. 112-84) and rejected the Administration’s proposed reduction for CSBG. The bill would maintain CSBG and IDAs at FY2011 levels and give increases to CED (from $18 million to $22 million) and Rural Community Facilities (from $5 million to $7 million). No funds would go to JOLI, and overall funding for CSBG and related activities would rise from $727 million to $732 million in FY2012.

Representative Rehberg, chair of the House Appropriations Subcommittee on Labor, HHS, and Education, introduced an FY2012 spending bill on September 29 (H.R. 3070). This bill also would reject the Administration’s proposed reduction for CSBG and would maintain the block grant and Rural Community Facilities at FY2011 levels. The bill would increase CED to $20 million and cut IDAs from $24 million to $9 million. It would eliminate funding for JOLI.

According to the latest data, the nationwide network of more than 1,000 CSBG grantees served nearly 21 million people in more than 8 million low-income families in FY2009. The network reported spending $14.9 billion of federal, state, local, and private resources. Of the total, $623 million came from regular federal CSBG funds and $344 million from a one-time appropriation under the American Recovery and Reinvestment Act (ARRA). About $9 billion came from other federal programs and $1.2 billion came from additional federal spending under ARRA.
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Recent Developments

FY2012 Funding

Community Services Block Grants (CSBG) and related activities are currently operating under a continuing resolution (CR) through December 16, 2011 (P.L. 112-55). Previous CRs were in effect from the beginning of FY2012 on October 1 through October 4, 2011 (P.L. 112-33), and through November 18, 2011 (P.L. 112-36). The CR generally funds discretionary programs at FY2011 levels, reduced by 1.503%.

The Senate Appropriations Committee reported an FY2012 spending bill for the Departments of Labor, Health and Human Services (HHS), and Education on September 22 (S. 1599, S.Rept. 112-84), which rejected a proposal by the Obama Administration to reduce funding for CSBG by nearly half. The Senate committee bill would maintain CSBG at the FY2011 level and would either maintain or increase all related activities except the Job Opportunities for Low-Income Individuals (JOLI) program. JOLI would be zeroed out; however, overall funding for CSBG and related activities would rise from $727 million to $732 million in FY2012.

Representative Rehberg, chair of the House Appropriations Subcommittee on Labor, HHS, and Education, introduced an FY2012 spending bill on September 29 (H.R. 3070) that also would reject the Administration’s proposed reduction for CSBG. This bill would maintain the block grant and Rural Community Facilities at FY2011 levels and slightly increase Community Economic Development (CED). The bill would reduce Individual Development Accounts (IDAs) by more than half, however, and would eliminate funding for JOLI.

President Obama released his FY2012 budget request to Congress on February 14, 2011, proposing a 50% reduction in spending for CSBG from FY2010 levels (or a 48% reduction from final FY2011 levels). The budget signaled the Administration’s intention to convert the program into a competitive grant at the state level. Under current law—and since the block grant was created in 1981—states have been required to pass through at least 90% of their block grant allotments to the same eligible entities, typically known as Community Action Agencies (CAAs), each year. In the FY2012 budget justifications for the Administration for Children and Families (ACF) within HHS, the Administration said that ACF will work with Congress to “inject competition” into the program. “Many community action agencies deliver quality programs, but at a time when we must reduce the deficit, we cannot afford to provide guaranteed funding that is not targeted based on need and performance.”

The Administration’s FY2012 budget would zero out certain national activities related to CSBG, including Rural Community Facilities and JOLI. The budget requested a reduction in funding for CED and would target the requested funds toward the multiagency Healthy Food Financing Initiative. The Administration would fund IDAs (also known as Assets for Independence) at the same level as in FY2010 and FY2011.

On April 15, 2011, the House passed a concurrent resolution on the FY2012 budget (H.Con.Res. 34), which set broad spending targets for FY2012 and subsequent years. Congress subsequently enacted the Budget Control Act of 2011 (P.L. 112-25), which established a target for total discretionary spending in FY2012 that is slightly higher than the level provided in H.Con.Res. 34. These broad discretionary spending levels do not determine spending amounts for specific programs. For programs such as CSBG and related activities, spending amounts are determined through the annual appropriations process.

For more details on the FY2012 budget process, see the “Recent Appropriations History” section of this report. Also see Table 1 for a comparison of pending FY2012 levels with appropriations provided in FY2007-FY2011.

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, §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
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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 authorization of appropriations for CSBG and most related programs expired in FY2003. The House and Senate passed reauthorization legislation during the 108th Congress but it was not enacted. Similar legislation was introduced in the 109th Congress but not considered. No CSBG legislation was introduced in either the 110th Congress or the 111th Congress.

Several related national activities—Community Economic Development, Rural Community Facilities, Job Opportunities for Low-Income Individuals (JOLI), and Individual Development Accounts (IDAs)—receive appropriations separate from the block grant but 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.

The Block Grant

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.

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.
State Role

At the state level, a lead agency must be designated to develop the state application and plan. States must pass through at least 90% of their federal CSBG allotment to local eligible entities.\(^5\) 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.

Local Delivery System

As noted above, 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.\(^6\) 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,

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\(^5\) Under the one-time appropriation of $1 billion for the CSBG under the American Recovery and Reinvestment Act (ARRA, P.L. 111-5), states were required to pass through 99% of their allotments to local eligible entities and use the remaining 1% for benefits eligibility coordination activities. See discussion of ARRA, later in this report.

\(^6\) The Obama Administration proposed to change this feature of the block grant; see later discussion of FY2012 budget proposals.
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.

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, the 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 (except JOLI) expired at the end of FY2003; however, Congress has continued to fund several of them (see Table 1).

Community Economic Development

The Community Economic Development (CED) 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 TANF assistance rate of at least 20%, high levels of unemployment or incidences of violence, gang activity, and other indicators of socioeconomic distress.

During FY2010, HHS supported 44 grants, of which 43 were new starts and one was a continuation grant, plus eight contracts and one interagency agreement, according to agency budget documents. For FY2011, the department expected to support 46 grants, of which one continues an existing grant and the rest are new starts, plus seven contracts and one interagency agreement. As discussed below in the “Recent Appropriations History” section of this report, the Administration has proposed to sharply reduce the size of this program, so that it would support 20 grants in FY2012, all of which would be new starts, along with six contracts and one interagency agreement. In both its FY2011 and FY2012 budget submissions, the Administration indicated that a certain amount of Community Economic Development funding would be dedicated toward a new multiagency Healthy Food Financing Initiative.

Job Opportunities for Low-Income Individuals (JOLI)

JOLI is permanently authorized under the Family Support Act of 1988 (P.L. 100-485, §505), as amended by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (P.L. 104-193, §112). Although JOLI is not authorized under the CSBG Act, it is funded and

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7 The Office of Community Services administers several other programs that are not considered part of the cluster of CSBG-related activities and are, therefore, not discussed in this report. These programs include the Social Services Block Grant, the Low-Income Home Energy Assistance Program (LIHEAP), and the Strengthening Communities Initiative.
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.

During FY2010, HHS supported seven grants, all of which were new starts, plus five contracts and one interagency agreement, according to agency budget documents. In FY2011, the department again expected to support seven new grants, five contracts, and one interagency agreement. In both its FY2011 and FY2012 budget submissions, the Obama Administration proposed to terminate JOLI, and therefore, HHS expects no program activity in FY2012. In budget documents, HHS stated that JOLI duplicates activities that can be funded under TANF and that the Administration’s proposal reflects efforts to target funds more effectively.

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. In its FY2010 budget request to Congress, the Administration proposed to terminate this program, arguing that it does not belong in HHS. Instead, the Administration noted that federal assistance for water treatment facilities is available through two much larger programs in the Environmental Protection Agency (i.e., the Clean Water and Drinking Water State Revolving Funds) and through direct loans, loan guarantees, and grants administered by the Department of Agriculture. In each of its FY2011 and FY2012 budget requests, the Administration again proposed to terminate this program, arguing that its services are similar to programs operated by other agencies and that the proposed termination reflects the Administration’s efforts to target funds more effectively.

During FY2010, HHS supported 10 grants, eight of which were new starts and two were continuation grants, plus three contracts and one interagency agreement, according to agency budget documents. In FY2011, the department expected to support 10 grants, all of which were continuations, plus one contract and one interagency agreement. As described above, HHS expects no program activity in FY2012 due to the program’s proposed termination.

National Youth Sports Program

Under this program, a grant traditionally was made to a single organization, namely the National Collegiate Athletic Association (NCAA), to provide recreational and instructional services for low-income youth, typically on college campuses. In FY2005, Congress appropriated $18 million for this program, and one award was made. No direct federal funding has been provided since that year. Legislation is pending in the 112th Congress (H.R. 2817) to reauthorize appropriations for this program at an annual level of $20 million for FY2012 through FY2022. This proposal also was introduced in the 111th Congress (H.R. 4480).
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 that 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.

For FY2005, Congress appropriated $7 million for this program, which was expected to support 104 new grants, one contract, and two interagency agreements. No funding has been provided for this program since FY2005.

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. Contributions are matched, and participants are given financial and investment counseling. 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 $1 million a year, and HHS says the average grant is about $350,000.

According to Administration budget documents, in FY2010 the program supported 55 new grants, 13 contracts and one interagency agreement. In FY2011, HHS expected to support 50 new grants, 13 contracts, and 2 interagency agreements; in FY2012, HHS expects to support 50 new grants, 12 contracts, and 2 interagency agreements. In the first phase of its national evaluation of the program, HHS reported that participants derived substantial benefits and were more likely than comparable non-participants to become homeowners or business owners and to pursue postsecondary education.9

The Assets for Independence Act expired at the end of FY2003, although Congress has continued to provide appropriations for the IDA program under this authority. Legislation has been introduced in the 112th Congress (H.R. 1623) that would amend and reauthorize appropriations for this program at an annual level of $75 million for FY2012 through FY2016.

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CSBG Program Data

The Community Services Block Grant Annual Report FY2009 summarizes information submitted by 50 states, the District of Columbia, and Puerto Rico in response to the most recent annual survey funded by HHS and administered by the National Association for State Community Services Programs. According to this report, the nationwide CSBG network consisted of 1,063 local eligible entities in FY2009, including 938 Community Action Agencies, 81 local government agencies, 21 “limited purpose agencies” that specialize in one or two types of programs, 13 tribes or tribal organizations, six migrant or seasonal farmworker organizations, and six organizations that fell into other categories.

The network of local eligible entities reported spending $14.9 billion in FY2009, with funding coming from federal, state, local, and private sources. Of the total, $623 million came from the regular federal CSBG allotment and $344 million came from the special one-time appropriation under the American Recovery and Reinvestment Act.

Use of Federal CSBG Funds

Based on reports from all jurisdictions, local entities spent their regular CSBG funds for a wide variety of activities, including emergency services (19%); activities to promote self-sufficiency (16%); activities to promote linkages among community groups and other government or private organizations (14%); education-related activities (12%); employment-related activities (11%); housing-related services (8%); nutrition services (7%); income management (6%); health services (4%); and other activities.

Local entities used their CSBG-ARRA funds somewhat differently, based on reports from 39 states about the spending of $100 million in ARRA money. As might be expected, given ARRA’s purpose of economic stimulus, states reported that 34% of these funds in FY2009 were used for employment-related activities. Emergency services also were significant, accounting for 14% of CSBG-ARRA funds, followed by education-related activities (10%); housing-related services (10%); activities to promote self-sufficiency (8%); activities to promote linkages (7%); nutrition services (6%); income management (4%); health services (4%); and other services and activities.

Use of Federal Non-CSBG Funds

The bulk of funds spent by local eligible entities comes from federal programs other than CSBG. Of approximately $9 billion in non-CSBG non-ARRA federal funds spent by local agencies in FY2009, 31% came from Head Start or Early Head Start, and 25% came from either the

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11 As discussed later, the American Recovery and Reinvestment Act (ARRA, P.L. 111-5) appropriated $1 billion to CSBG for obligation in FY2009 or FY2010. See section headed “American Recovery and Reinvestment Act of 2009”.

12 Note that this does not cover spending of all CSBG-ARRA funds in FY2009, or the balance of CSBG-ARRA funds that were spent in FY2010.
Department of Energy’s weatherization program or the HHS Low-Income Home Energy Assistance Program (LIHEAP).

States reported that about 9% of federal (non-CSBG non-ARRA) funds received by local agencies came from Department of Housing and Urban Development (HUD) programs, while another 8% came from Department of Agriculture (USDA) food programs, including the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). About 7% of funds received by the network came from various health and social services programs administered by HHS (such as the Older Americans Act, Social Services Block Grant, Medicare, and Medicaid), and another 7% from the Temporary Assistance for Needy Families (TANF) block grant. Department of Labor programs and the Child Care and Development Block Grant administered by HHS each accounted for about 4% of federal non-CSBG funding spent by local agencies. The network of agencies (although not necessarily every agency or every state) also received funding from the Corporation for National and Community Service, the Federal Emergency Management Agency, and the Departments of Transportation, Education, Treasury, and Justice.

States also reported that local agencies received and spent more than $1.2 billion from appropriations under ARRA for federal programs other than CSBG itself. Of this total, half came from weatherization and LIHEAP (primarily weatherization), 11% from Head Start or Early Head Start; and TANF and Department of Labor programs each accounted for another 10%. The Child Care and Development Block Grant accounted for 3% of ARRA funding and Department of Transportation programs constituted 2%.

**Recipients of CSBG Services**

According to states responding to the survey, the CSBG network provided services to nearly 21 million individuals in more than 8 million families in FY2009. The survey captured demographic information about three-quarters of the participating families, and found that 70% had incomes at or below federal poverty guidelines. At the same time, nearly 87% of families included a worker, an unemployed job-seeker, or a retired worker. Slightly more than half (51%) of families included children; of those, 56% were headed by a single mother, 37% by two parents, and 6% by a single father. Looking at participants by age, the survey found that 38% of individuals served were children age 17 or younger, and 17% were seniors age 55 or older. Almost 59% of individuals reported they were white and 27% were African American. Nearly 19% of individuals reported their ethnicity as Hispanic or Latino, regardless of race.
Recent Appropriations History

FY2012\(^{13}\)

Congressional Action

On April 15, the House passed a concurrent resolution on the FY2012 budget (H.Con.Res. 34), which set broad spending targets for FY2012 and subsequent years.\(^{14}\) Congress subsequently enacted the Budget Control Act of 2011 (P.L. 112-25), which established a target for total discretionary spending in FY2012 that is slightly higher than the target included in H.Con.Res. 34. These aggregate discretionary spending levels, however, do not determine spending amounts for specific programs. For programs such as CSBG and related activities, spending amounts are determined through the appropriations process.\(^{15}\)

Congress has not completed consideration of appropriations legislation for FY2012, so CSBG and related activities—like most government programs—are currently operating under a continuing resolution (CR) in effect through December 16, 2011 (P.L. 112-55). Previous CRs were in effect from October 1 through October 4 (P.L. 112-33), and through November 18, 2011 (P.L. 112-36). The CR generally funds discretionary programs at FY2011 levels, reduced by 1.503%.

The Senate Appropriations Committee reported an FY2012 spending bill for the Departments of Labor, HHS, and Education on September 22 (S. 1599, S.Rept. 112-84), which rejects a proposal by the Obama Administration (described below) to reduce funding for CSBG by nearly half. The Senate committee bill would maintain CSBG at the FY2011 level and would either maintain or increase all related activities except the JOLI program. JOLI would be zeroed out; the Senate committee notes that JOLI has never been evaluated and duplicates activities funded through the Temporary Assistance for Needy Families (TANF) program. Nonetheless, overall funding for CSBG and related activities would rise from $727 million in FY2011 to $732 million in FY2012. The Senate committee would increase CED from $20 million to almost $22 million, and would

\(^{13}\) For general background on FY2012 appropriations for the Departments of Labor, HHS, and Education, see CRS Report R42010, Labor, Health and Human Services, and Education: FY2012 Appropriations, coordinated by Karen E. Lynch.

\(^{14}\) For a comparison of the House resolution with the President’s proposed budget and the Congressional Budget Office current law baseline, see CRS Report R41827, FY2012 Budget Highlights for the Human Resources “Superfunction”: Education, Training, Social Services, Health, Income Security, and Veterans, by Karen Spar and Gene Falk.

\(^{15}\) For a discussion of how the Budget Control Act might affect FY2012 spending for programs included in the annual appropriations bill for the Departments of Labor, HHS, and Education, see CRS Report R42010, Labor, Health and Human Services, and Education: FY2012 Appropriations, coordinated by Karen E. Lynch. Readers should also note that the Budget Control Act established a Joint Select Committee on Deficit Reduction, charged with the task of achieving at least $1.2 trillion in deficit reduction over FY2012-FY2021. The Joint Committee’s co-chairs announced on November 21 that it did not achieve this goal. If Congress does not enact legislation achieving this amount of deficit reduction by January 15, 2012, automatic budget reduction procedures will be triggered to take effect on January 2, 2013. These reductions would not automatically affect FY2012 spending for programs such as CSBG; rather, they would affect spending levels for fiscal years beginning with FY2013. See CRS Report R41965, The Budget Control Act of 2011, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.
direct $10 million of that total to the Healthy Food Financing Initiative, an Obama Administration proposal described in more detail below.

Representative Rehberg, chair of the House Appropriations Subcommittee on Labor, HHS, and Education, introduced an FY2012 spending bill on September 29 (H.R. 3070), that also would reject the Administration’s proposed reduction for CSBG. This bill would maintain the block grant and Rural Community Facilities at FY2011 levels and slightly increase CED. The bill would reduce IDAs, however, by more than half and would eliminate funding for JOLI.

See Table 1 for a comparison of pending House and Senate proposals for FY2012 with the Administration’s FY2012 budget request and final appropriations for previous years.

**Administration Proposal**

President Obama released his Administration’s FY2012 budget on February 14, seeking a total of $394 million for CSBG and related activities. Of this amount, $350 million would go to the block grant, for a reduction of 50% from FY2010 levels (or 48% from final FY2011 levels). The Administration’s proposal to reduce funding for CSBG was coupled with a statement of intent to “inject competition” into the program. As described earlier, states are required under current law to pass at least 90% of their annual block grant allotments to “eligible entities,” which are primarily Community Action Agencies that had been designated under the former Economic Opportunity Act of 1964. In FY2012 budget documents, HHS noted that these grants are not open for competition and that while states may terminate funding for CAAs that are found to be deficient, this process is seen as burdensome and is not pursued often. “States usually pursue termination only when there is a determination that the CAA is grossly financially negligent,” according to HHS.

HHS also noted that National Performance Indicators (NPIs) and a performance management system called Results Oriented Management Accountability (ROMA) are used to track performance and provide national accountability for the activities of local grantees. However, because the grantees receive funding from numerous sources in addition to CSBG, the performance accountability system cannot identify outcomes solely attributable to CSBG funding. Moreover, these performance data are not used to allocate funds among agencies. Office of Management and Budget (OMB) documents further state: “A series of reports from the Government Accountability Office and the Inspector General of the Department of Health and Human Services have documented failures in program oversight and accountability—with the likely result that even grossly negligent CAAs continue to receive funding.”

In proposing a reduced funding level for FY2012, HHS stated:

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Within this reduced funding level, ACF will work with Congress to inject competition into the program so that resources are targeted more effectively on high-performing, innovative organizations. The program, as reconfigured, should maintain the current emphasis on place-based services to address the causes and impact of poverty, but should hold grantees more accountable for outcomes and should direct resources to agencies that can effectively serve high need communities, use evidence-based practice to achieve results, operate with a high level of program integrity, and maximize funding spent on services rather than administrative overhead. Many community action agencies deliver quality programs, but at a time when we must reduce the deficit, we cannot afford to provide guaranteed funding that is not targeted based on need and performance.

Of the remaining budget request for CSBG and related activities in FY2012, CED would receive $20 million, which is down sharply from its FY2010 level of $36 million. (However, as noted below, the FY2012 request is actually higher than the final appropriation for FY2011, which provided $18 million for CED.) This program currently funds “an amalgam of projects with varying degrees of success,” according to HHS budget documents. “In the most recent report to Congress, 21 percent of the projects funded were declared unsuccessful.”

The Administration’s request for CED would “trim available funding and better target resources to the Healthy Food Financing Initiative (HFFI), while at the same time, invigorate the program’s competitive funding process.” First proposed in the FY2011 budget, the HFFI is a multiyear multiagency effort through which HHS will partner with the Departments of Agriculture and the Treasury to make available a total of $400 million to address the lack of affordable healthy food in many urban and rural communities (areas known as “food deserts”). Under the HHS/CED component, competitive grants would go to community development corporations for projects to finance grocery stores, farmers markets, and other sources of fresh nutritious food, creating employment and business opportunities in low-income communities while also providing access to healthy food options.

Finally, the Administration proposes to maintain IDAs at their current level of $24 million in FY2012. No funding would be provided for Rural Community Facilities or JOLI.

**FY2011**

**Final Congressional Action**

The 111th Congress failed to pass a regular FY2011 appropriations bill for the Departments of Labor, HHS, and Education. As a result, CSBG and related activities (like most government programs) operated under a series of continuing resolutions (CRs) for the first half of the fiscal year. These temporary measures maintained CSBG and related activities at their FY2010 funding levels. A final CR for FY2011 (P.L. 112-10) was enacted on April 15, 2011, providing a total of $727 million for CSBG and related activities for the balance of the fiscal year; this amount is somewhat lower than the FY2010 level of $773 million.

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P.L. 112-10 included a mandatory across-the-board rescission of 0.2% for discretionary non-defense programs. As implemented by HHS, final amounts provided under the law are as follows: $679 million for the block grant, $18 million for Community Economic Development, and $5 million for Rural Community Facilities. Of funds provided for the block grant, the law requires $350,000 to be used by the Secretary of HHS for preparation of a report on the use of CSBG funds. Final FY2011 funding levels for programs authorized outside the CSBG Act are $1.6 million for JOLI and $24 million for IDAs.

Earlier in the year, the House had passed alternative legislation (H.R. 1) to extend funding through the end of FY2011, which would have reduced discretionary funding for many government programs, including CSBG. As passed by the House on February 19, H.R. 1 contained $405 million for programs authorized under the CSBG Act, including $395 million for the block grant (compared with the FY2010 level of $700 million) and $10 million for Rural Community Facilities (which was the same as the FY2010 level). No funds would have been provided for Community Economic Development, and JOLI and IDAs would have remained at their FY2010 funding levels of $2.6 million and $24 million, respectively.

During debate on H.R. 1, the House considered an amendment offered by Representative Flake that would have reduced FY2011 funding for the CSBG by an additional $100 million, which would have resulted in a total of $295 million for the block grant in FY2011. The amendment was defeated by a vote of 115 to 316.

On March 9, the Senate failed to pass the House version of H.R. 1 and also failed to pass S.Amdt. 149, which would have kept CSBG and related activities at their FY2010 levels through the balance of FY2011.20

The following describes Administration and congressional efforts during the 111th Congress to enact FY2011 appropriations for CSBG and related activities.

**Administration Proposal**

President Obama submitted a detailed FY2011 budget request to Congress on February 1, 2010, seeking a total of $760 million for CSBG and related activities ($700 million for the block grant, $36 million for Community Economic Development, and $24 million for Individual Development Accounts or IDAs). In total, the request was lower than amounts provided in FY2010 because the Administration did not request funds in FY2011 for Rural Community Facilities or the Job Opportunities for Low-Income Individuals program (JOLI). Moreover, the Administration did not seek to continue the special $1 billion in funding provided to CSBG under the American Recovery and Reinvestment Act of 2009 (ARRA, P.L. 111-5). President Obama’s budget request for FY2011 was similar to his request for FY2010, when he also proposed zero funding for Rural Community Facilities; however, the FY2010 request would have maintained level funding for JOLI.

Although the Administration proposed level funding ($36 million) for Community Economic Development in FY2011, budget documents indicated that up to $20 million of this amount

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20 For a comparison of proposed federal agency level funding in H.R. 1 and S.Amdt. 149, with FY2010 enacted levels and the Obama Administration’s request for FY2011, see CRS Report R41703, *FY2011 Appropriations: A Side-by-Side Comparison of Key Proposals and Enacted Legislation*. 
would be dedicated for use under the Healthy Food Financing Initiative, described above under the Administration’s request for FY2012.

HHS budget documents also indicated that the Office of Community Services planned to continue funding in FY2010 for a cooperative agreement grant for a national community economic development training and capacity development initiative; this grant began in FY2009 in response to directives from House and Senate Appropriations Committees.

**House Action During the 111th Congress**

During the 111th Congress, the House Labor-HHS-Education Appropriations Subcommittee met on July 15, 2010, and approved FY2011 spending levels; however, a bill was never introduced and the full Appropriations Committee took no action. According to a press release issued by then-Committee Chairman Obey, the subcommittee approved $800 million for the CSBG.21 No information was provided about the panel’s recommendations for CSBG-related activities before the 111th Congress came to an end.

**Senate Action During the 111th Congress**

The Senate Appropriations Committee on August 2, 2010, reported its version of the FY2011 Labor-HHS-Education spending bill (S. 3686, S.Rept. 111-243), with a total of $792 million for CSBG and related activities, compared with the Administration’s request of $760 million. Specifically, the Senate committee approved $700 million for the block grant, which was the same level requested by the Administration but $100 million lower than the House recommendation. The Senate committee approved $55 million for Community Economic Development, of which up to $20 million could be used for the new Healthy Food Financing Initiative, resulting in an increase of $19 million above the Administration’s request. The Senate committee also approved $10 million for Rural Community Facilities and $2.6 million for JOLI, while the Administration would have zeroed out both of these activities. Finally, the Senate committee approved $24 million for IDAs, which was the same level proposed by the Administration.

**FY2010**

**Final Congressional Action**

With no final appropriations law in place at the beginning of FY2010, Congress passed a series of continuing resolutions to maintain funding for HHS and other federal agencies. The House and Senate subsequently passed the conference agreement on a full-year consolidated appropriations bill (H.R. 3288, H.Rept. 111-366), which was enacted on December 16, 2009, as P.L. 111-117.

The final law included the following amounts for CSBG and related activities: $700 million for the block grant, $36 million for Community Economic Development, $10 million for Rural Community Facilities, $2.66 million for JOLI, and $24 million for IDAs. The Administration had

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originally requested $700 million for the block grant, $36 million for Community Economic Development, $5.3 million for JOLI, and $24 million for IDAs. The Administration had proposed termination of Rural Community Facilities.

The conference agreement on the consolidated appropriations bill directed HHS to use $500,000 to continue the national training and capacity-building initiative that was started in FY2009, which the Administration has indicated that it will. The agreement also directed HHS to report to the House and Senate Appropriations Committees on the use by states of the ARRA/CSBG funds intended for “benefit eligibility coordination” and whether these funds have achieved their intended purpose of ensuring that individuals and families receive the assistance for which they are eligible under various federal, state, local, and private programs. In its FY2011 budget documents, the Administration stated that this report will be issued, although no date is given.

House Action

The House passed an FY2010 appropriations bill for the Departments of Labor, HHS, and Education on July 24, 2009 (H.R. 3293), containing $700 million for CSBG, $36 million for Community Economic Development, and $24 million for IDAs, as proposed by the Administration. The House rejected two of the Administration’s requests, however, and included $10 million for Rural Community Facilities despite the Administration’s proposal to terminate the program, and provided no funding for JOLI despite the Administration’s request for level funding.

In its report on H.R. 3293 (H.Rept. 111-220), the House Appropriations Committee repeated previous directives that HHS use $500,000 of its training and technical assistance money to develop a national community economic development training and capacity development initiative, which the Administration indicated that it would do, starting in FY2009. The committee also explained its decision to eliminate funding for JOLI, noting that its FY2010 appropriations bill included $50 million for a new Transitional Jobs Initiative in the Department of Labor that would provide employment opportunities for the same target population served by JOLI (e.g., welfare recipients and low-income individuals).

Senate Action

The Senate Appropriations Committee approved its version of H.R. 3293 on August 4, 2009 (S.Rept. 111-66). The committee bill was identical to the House-passed bill, except it would have provided level funding for JOLI ($5.3 million) as requested by the Administration.

American Recovery and Reinvestment Act of 2009

On February 17, 2009, President Obama signed ARRA into law, providing an estimated $787 billion in spending and tax provisions in an effort to stimulate the economy. The law appropriated $1 billion for the CSBG, which remained available for obligation until September 30, 2010. The

funds were subject to set-aside provisions in the underlying CSBG law that reserved half of 1% for allocation among the territories and 1.5% for training, technical assistance, evaluation, and monitoring. Remaining funds were distributed according to the regular CSBG formula to states, which were required to use 1% of their ARRA allotments for “benefit eligibility coordination” activities, related to identification and enrollment of eligible individuals and families in federal, state, or local benefit programs. The balance of each state’s allotment was distributed among local eligible entities in the state (generally known as Community Action Agencies, or CAAs). ARRA provided that CSBG funds could be used in FY2009 and FY2010 to serve individuals and families with incomes up to 200% of the federal poverty level, rather than the regular CSBG maximum of 125% of poverty.

HHS issued formal guidance regarding the release and use of the CSBG stimulus funds on April 10, 2009, requiring states to submit a plan for use of the funds by May 29, 2009. In its guidance, HHS encouraged states and local entities that received stimulus funding to create “sustainable economic resources in communities.” Specifically, HHS said that states should help ensure that eligible entities “1) provide a wide range of innovative employment-related services and activities tailored to the specific needs of their community; 2) use funds in a manner that meets the short-term and long-term economic and employment needs of individuals, families and communities; and 3) make meaningful and measurable progress toward the reform goals of the Recovery Act with special attention to creating and sustaining economic growth and employment opportunities.” The guidance also noted that states could not use CSBG stimulus funds for administrative costs or any statewide discretionary activities.

As noted above, states were required to use 1% of their CSBG allotments for coordination activities to ensure that eligible individuals were identified and enrolled in appropriate benefit programs, and HHS said the law gave states flexibility in administering these coordination activities to best meet the needs of individuals, families, and communities. In the conference agreement on the FY2010 consolidated appropriations legislation, House and Senate conferees expressed concern that people affected by the recession are not receiving the various benefits and services for which they qualify and directed HHS to report to the House and Senate Appropriations Committees on states’ use of these coordination funds and whether they achieved their intended purpose. According to the National Association of State Community Services Programs annual report cited earlier (see section headed “CSBG Program Data”), benefits coordination activities undertaken in FY2009 included state and local agency “coordination with stakeholders, communication techniques, technological enhancements, and other initiatives.” Specific examples included statewide data collection systems to allow various programs to share information, and statewide information campaigns to increase public awareness of available services.

The final version of ARRA was a hybrid of provisions passed earlier by the House and the Senate. In explaining its decision to include CSBG funding in the stimulus package, the House Appropriations Committee’s draft report on ARRA stated: “Due to rising unemployment, housing foreclosures, and high food and fuel prices, community action agencies have seen dramatic


24 HHS has now issued guidance on the liquidation and close-out of CSBG/ARRA funds; see OCS Information Memorandum, Transmittal No. 122, dated 12/3/10; http://www.acf.hhs.gov/programs/ocs/csbg/guidance/im122.html.
increases in requests for assistance. These additional economic recovery funds will help to fill gaps in safety net services by targeting funds directly to community action agencies in over 1,000 local communities while they are impacted by revenue shortfalls.\textsuperscript{25} In the Senate, the Appropriations Committee explained its decision to require states to reserve funds for benefit eligibility coordination activities: “These services help stabilize families, especially during periods of unemployment, and provide them with the tools they need to lift themselves from poverty and to establish economic self-sufficiency” (S.Rept. 111-3).

**FY2009**

Congress passed and President Obama signed into law an omnibus appropriations act (P.L. 111-8) that funded CSBG and related activities from March through the balance of FY2009. From the beginning of FY2009, CSBG and related agencies, along with most other federal agencies and programs, had been operating under a continuing resolution (P.L. 110-329) that generally maintained funding at FY2008 levels. For CSBG and related agencies, the omnibus appropriations act for FY2009 provided a total of $775 million—as originally recommended by the House Labor-HHS-Education Appropriations Subcommittee—compared to total FY2008 funding of $722 million.

The House Labor-HHS-Education Appropriations Subcommittee had approved legislation on June 19, 2008, that would have increased funds for CSBG and two related activities in FY2009. The full House Appropriations Committee met but did not complete action on this bill on June 26, 2008. As approved by the subcommittee, the measure included $700 million for the CSBG (a $46 million increase from the FY2008 level), $36 million for Community Economic Development (a $4.5 million increase), $10 million for Rural Community Facilities (a $2.1 million increase), and level funding for JOLI and IDAs. The draft committee report stated that “the CSBG is more important than ever, with unemployment and poverty increasing due to the struggling economy and the number of low-income individuals and families in need of assistance rising as a consequence.”\textsuperscript{26} The draft report directed that $500,000 of training and technical assistance funds be used for a national community economic development training and capacity development initiative that would provide CAA leaders with the necessary professional skills to finance and implement innovative housing, economic, and community development partnerships. This language also is included in the explanatory statement accompanying P.L. 111-8.

The Senate Appropriations Committee reported its version of the FY2009 funding bill for the Departments of Labor, HHS, and Education on July 8, 2008 (S. 3230, S.Rept. 110-410). The Senate committee would have maintained CSBG and all related activities at their FY2008 funding levels, except for Rural Community Facilities, which would have received $8.5 million (a $600,000 increase). The Senate committee noted “the importance of Community Action Agencies (CAAs) as institutions that organize low-income communities to identify emerging challenges to economically insecure Americans and subsequently to mobilize the resources, programs and partnerships needed to address local poverty conditions.” The report further stated that “CSBG is a unique Federal resource that supports CAAs while they initiate creative responses to local

\textsuperscript{25} The Committee’s report is available on its website, http://appropriations.house.gov/images/stories/pdf/

\textsuperscript{26} Unnumbered draft House Appropriations Committee report, reflecting actions of the Subcommittee on Labor-HHS-
20080626lhreport.pdf.
poverty conditions and seek new sources of support and investment to implement their initiatives. The committee believes that CSBG funding is an investment, analogous to venture capital, in the future of low-wage workers, retirees and their families.”

In its report, the Senate committee faulted the Office of Community Services within HHS for failing to report on progress made in correcting the deficiencies in program oversight identified by the Government Accountability Office (GAO) (see Appendix B for a discussion of the GAO report). The committee also noted that OCS did not comply with a directive included in the conference report on the FY2005 appropriation, regarding the implementation of a training and technical assistance needs assessment and delivery plan in consultation with CSBG state and local grantees. The committee further stated that OCS should develop and deliver professional skills training for CAA leaders so they can finance and implement innovative housing, economic, and community development partnerships (similar to language in the draft House report); that OCS should support linkages between local agencies, national organizations, and academic institutions that would disseminate research on effective responses to poverty; and finally, that OCS should continue funding statewide CAA associations to continue and expand cost-effective training and other capacity-building services for members. These concerns were repeated by the House Appropriations Committee in its explanatory statement accompanying the FY2009 omnibus appropriations bill that was enacted as P.L. 111-8. As noted above, HHS began funding the national training and capacity-building initiative in FY2009.

Table 1. Funding for CSBG and Related Activities, FY2007-FY2012
($ in millions)

<table>
<thead>
<tr>
<th>Program</th>
<th>FY2007</th>
<th>FY2008^a</th>
<th>FY2009^b</th>
<th>FY2010</th>
<th>FY2011^c</th>
<th>FY2012 request</th>
<th>FY2012 Senate comm.^e</th>
<th>FY2012 House intro.^g</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block Grant</td>
<td>630.43</td>
<td>653.80</td>
<td>700.00</td>
<td>700.00</td>
<td>678.64</td>
<td>350.00</td>
<td>678.64</td>
<td>678.64</td>
</tr>
<tr>
<td>Community Economic Development</td>
<td>27.02</td>
<td>31.47</td>
<td>36.00</td>
<td>36.00</td>
<td>17.96</td>
<td>20.00^d</td>
<td>21.96^f</td>
<td>20.00</td>
</tr>
<tr>
<td>Job Opportunities for Low-Income Individuals (JOLI)</td>
<td>5.38</td>
<td>5.29</td>
<td>5.29</td>
<td>2.64</td>
<td>1.64</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Rural Community Facilities</td>
<td>7.29</td>
<td>7.86</td>
<td>10.00</td>
<td>10.00</td>
<td>4.99</td>
<td>0</td>
<td>6.99</td>
<td>4.99</td>
</tr>
<tr>
<td>Individual Development Accounts</td>
<td>24.45</td>
<td>24.02</td>
<td>24.02</td>
<td>23.91</td>
<td>23.98</td>
<td>23.90</td>
<td>23.90</td>
<td>8.91</td>
</tr>
<tr>
<td>Total</td>
<td>694.57</td>
<td>722.45</td>
<td>775.31^b</td>
<td>772.55</td>
<td>727.21</td>
<td>393.90</td>
<td>731.50</td>
<td>712.54</td>
</tr>
</tbody>
</table>


a. Funding reflects a 1.747% across-the-board reduction as mandated by the Consolidated Appropriations Act, 2008 (P.L. 110-161).

b. Funding levels shown were included in P.L. 111-8. Total amount shown does not include the additional $1 billion provided to the CSBG under the American Recovery and Reinvestment Act (ARRA, P.L. 111-5).
c. Funding reflects a 0.2% across-the-board rescission as mandated by P.L. 112-10.

d. Funds would be used for the Healthy Food Financing Initiative.

e. S. 1599, as reported (S.Rept. 112-84).

f. Of this total, $10 million would be used for the Healthy Food Financing Initiative.

g. H.R. 3070, as introduced.
Appendix A. Reauthorization Attempts

The authorizing legislation for CSBG and related activities expired at the end of FY2003 but Congress has continued funding these activities nonetheless. No reauthorizing legislation has been introduced since the 109th Congress. The following discusses legislation considered in the 109th and 108th Congresses, as background information for any reauthorization discussions that may occur in the future.

In the 109th Congress, Representative Osborne introduced H.R. 341, the Improving the Community Services Block Grant Act, which was virtually identical (except for dates) to legislation passed by the House during the 108th Congress (H.R. 3030).27 H.R. 341 would have reauthorized the CSBG and related activities through FY2012, and was referred to the House Education and the Workforce Committee, where no action occurred. 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 have

- changed the definition of the “eligible entity” by requiring such entities to establish and meet local goals as well as state goals, standards and requirements;
- required 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;
- provided that a state justify to the Secretary its continued support of low-performing eligible entities;
- required a state to use funds to improve economic conditions and remove barriers to self-sufficiency for the rural poor;
- required a local eligible entity to establish goals for reducing poverty in the community;
- based subsequent grant awards on the success or failure of an eligible entity in meeting goals;
- prohibited a religious organization providing services under provisions of this act from discriminating against a person seeking assistance because of religion or a religious belief;
- required 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;
- added water and wastewater facility needs to activities allowed for rural community development; and

27 H.R. 3030 contained an unrelated unemployment compensation provision, which was not included in H.R. 341.
• added 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 H.R. 341 in the 109th Congress), while the Senate passed S. 1786, the Poverty Reduction and Prevention Act. Conferees never met to resolve differences in the two bills. 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, introduced in the 109th Congress, contained 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.
Appendix B. Government Accountability Office (GAO) Review

The Government Accountability Office (GAO) released a report on the CSBG program in July 2006, which was originally requested by the House Education and the Workforce Committee in April 2005. GAO’s review focused on three topics related to program monitoring and training and technical assistance: (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.28

GAO concluded 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. 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

- 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 so that 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.

**HHS Response**

HHS took a series of steps in response to the GAO report. On October 10, 2006, HHS issued an information memorandum to state agencies responding to GAO’s third recommendation and providing guidance on compliance with the statutory requirement that states conduct a full on-site review of each eligible entity at least once during every three-year period.\(^{29}\) Subsequently, on March 1, 2007, HHS issued another information memorandum, responding to GAO’s first two recommendations and providing a schedule of states that will receive federal monitoring in each of the next three years (FY2007-FY2009).\(^{30}\)

The October memorandum explained that states were selected through a process intended to identify states that would receive the most benefit from federal monitoring visits. This process considered the extent to which eligible entities in the state were considered vulnerable or in crisis; the physical size of the state, its number of eligible entities, and the number of state personnel assigned to the CSBG program; the extent of poverty in the state compared to the number of eligible entities and state CSBG personnel; the number of clients served compared to the number of eligible entities and state CSBG personnel; evidence of past audit problems; and tardiness by the state in submitting CSBG state plans to HHS or responses to information surveys conducted by the National Association of State Community Services Programs.\(^{31}\)

HHS developed a CSBG state assessment tool to help states prepare for federal monitoring,\(^{32}\) and on August 24, 2007, issued a strategic plan for the CSBG program, which is intended to describe...

\(^{29}\) Office of Community Services (OCS) Information Memorandum, Transmittal No. 97, dated 10/10/06: http://www.acf.hhs.gov/programs/ocs/csbg/documents/10h.html.


\(^{31}\) See discussion of this survey earlier in this report.

training, technical assistance, and capacity-building activities and promote accountability within the CSBG. As discussed in the “Recent Appropriations History” section of this report, HHS began funding the national community economic development training and capacity development initiative in FY2009. Most recently, HHS issued an information memorandum on May 4, 2011, announcing a reorganization and new “strategy for excellence” in the CSBG training and technical assistance program for FY2011.

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