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Community Services Block Grants (CSBG): Funding and Reauthorization

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Community Services Block Grants (CSBG): Funding and Reauthorization

Summary

Community Services Block Grants (CSBG), administered by the Department of Health and Human Services (HHS), provide federal funds to states, territories and Indian tribes for distribution to local agencies to reduce poverty. Several related national activities — Community Economic Development, Rural Community Facilities, National Youth Sports, Community Food and Nutrition, Job Opportunities for Low-Income Individuals (JOLI) and Individual Development Accounts (IDAs) — also provide grants to local communities for a variety of anti-poverty initiatives. CSBG and related activities trace their history to the War on Poverty of the 1960s.

On June 21, 2005, the House passed H.R. 3010, its FY2006 appropriations bill for the Departments of Labor, HHS, and Education, and Related Agencies. The House-passed bill would provide a total of \$384.7 million for community services programs, compared to FY2005 funding of \$726.5 million. The FY2006 amount includes \$320 million for the Block Grant, which received \$636.8 million in FY2005. The House would fund the Block Grant, Community Economic Development, JOLI, Rural Community Facilities, and IDAs. It would not, however, fund the National Youth Sports and Community Food and Nutrition programs. On July 14, 2005, the Senate Appropriations Committee reported its version of H.R. 3010, with a total of \$708.9 million for community services programs, restoring CSBG funding to its FY2005 level, and providing approximately the same amounts for Community Economic Development, JOLI, Rural Community Facilities, and IDAs as the House-passed bill. Unlike the House, however, the Senate Committee would also fund the Community Food and Nutrition Program in FY2006 at its FY2005 level.

President Bush's FY2006 budget request included a "Strengthening America's Communities" initiative (SACI), which would eliminate 18 existing community and economic development programs and replace them with a new grant administered by the Commerce Department. CSBG and three related activities (Community Economic Development, JOLI, and Rural Community Facilities) would be eliminated as a result of this proposal. Unrelated to the SACI proposal, the Administration also requested no funding for the National Youth Sports and Community Food and Nutrition programs, although it did request funding in FY2006 for IDAs.

Funding authorization for CSBG and related activities expired at the end of FY2003, although Congress has continued to fund the programs. The House and Senate each passed reauthorization bills in the 108th Congress, but conferees never met to resolve differences. Legislation similar to last year's House-passed bill is now pending before the House Education and the Workforce Committee (H.R. 341). Both House and Senate bills of the 108th Congress (and H.R. 341) contained provisions intended to improve program quality and accountability, establish new program goals and activities, and improve grantee monitoring and fiscal controls. A key controversy in the 108th Congress focused on current law provisions that allow religious organizations to discriminate in hiring on the basis of religion; amendments were offered — and defeated — during committee and floor debates that would have prohibited such discrimination. This report will be updated.

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Community Services Block Grants (CSBG): Funding and Reauthorization

Recent Developments

On July 14, 2005, the Senate Appropriations Committee reported its version of H.R. 3010, the FY2006 funding bill for the Departments of Labor, Health and Human Services, and Education, and Related Agencies. The bill contains a total of \$708.9 million for community services programs, maintaining the Community Services Block Grant (CSBG) and several related national activities at approximately their FY2005 funding levels. The reported bill contains no funding for the National Youth Sports Program.

Earlier, on June 21, 2005, the House passed its version of H.R. 3010, including total funding of \$384.7 million for community services programs. The House bill would reduce the CSBG by about half and would provide no funding for National Youth Sports or the Community Food and Nutrition Program. Total funding for community services programs in FY2005 is \$726.5 million.

Included in President Bush's FY2006 budget request is a proposed "Strengthening America's Communities" initiative, which would eliminate 18 existing community and economic development programs (among which are the CSBG and several related national activities), and replace them with a new program administered by the Commerce Department. The President also does not request FY2006 funding for the National Youth Sports or Community Food and Nutrition programs, although this decision is not related to the "Strengthening America's Communities" proposal. (For further information on the President's initiative, see *FY2006 Budget Proposals* included in this report.) On January 25, 2005, Representative Osborne introduced H.R. 341, the Improving the Community Services Block Grant Act, which would, among other provisions, reauthorize the CSBG and related activities in their current form for FY2006-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. One of the most

significant OEO programs was Community Action, 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 issue in the 109th Congress.

Several related national activities — Community Economic Development, Rural Community Facilities, National Youth Sports, Community Food and Nutrition programs as well as Job Opportunities for Low-Income Individuals and Individual Development Accounts — also offer grants to assist local low-income communities, with economic development, rural housing and water management, food and nutrition, and instructional assistance for low-income youth, 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.

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, of which approximately 80% are private nonprofit organizations and about 20% are public agencies. 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, half of 1% 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 2003* is comprised of data based on a Community Services Block Grant Information System (CSBG/IS) survey that is administered by the National Association for State Community Services Programs. Forty-nine states, the District of Columbia, and Puerto Rico provided information on the level and uses of their FY2003 CSBG funds, the sources and uses of other funding, their activities, as well as the number and characteristics of participants in their programs. For FY2003, these states, the District of Columbia, and Puerto Rico reported using the vast majority of funding (92%) for grants to local eligible entities to address a variety of needs.¹ Administrative expenditures accounted for 4% of funding, with the remaining 4% of funds used on state discretionary projects. Of 1,080 local eligible entities, Community Action Agencies (CAAs) comprised nearly 88%, the overwhelming majority. These local agencies served 96% of all U.S. counties. CAAs client demographics reveal heterogeneous groups of low-income participants. Typically, a client of a CAA:

- lived in a family with children,
- was white and non-Hispanic,
- was very poor, and
- had family members currently working or with work experience.

Nearly 60% of CAAs' participant families included minor children. While 35% of the children lived with both parents, over half lived only with their mothers, and single fathers headed another 6% of families. About 8% of program participants were at least 70 years of age, with another 10% between 55 and 70 years old. CAAs'

¹ Information in this section is based on the National Association for State Community Services Programs, Meg Power, et al., *Community Services Block Grant Statistical Report FY2003* (Washington, D.C. Nov. 2004).

clients were extremely poor — 71% of families had incomes below the HHS poverty guideline (for 2003) of \$15,260 for a family of three. Of poor clients participating in the program, 26% (about 1 million) had incomes below \$7,630 for a family of three. Nearly 13% of families' incomes exceeded the poverty guideline but were lower than 125% of the guideline, while the incomes of another 15% were slightly higher.

The CSBG statistical report used CSBG family income data to estimate the percentage of all individuals living in poverty and their families who were served by CAA programs in 2003. Based on 2003 Census data for 48 states reporting CSBG/IS income data, 34.9 million residents of these states were living in poverty. CAAs provided services to more than 13 million individuals who were members of almost 6 million poor families. In addition, CAAs assisted 3 million people living in “near-poor” families.² The “working poor” were substantial users of CAAs' services in FY2003. Nearly two million families, almost half of those reporting their income, included at least one member of the 2003 workforce. States reported that individuals who left Temporary Assistance for Needy Families to obtain employment were especially vulnerable if they became unable to work, because of the shortage of jobs that pay a living wage and have benefits. CAA programs provided appropriate emergency assistance and referrals to resources that would help such persons until they could return to work.

Other data on CAAs' clients revealed that they are ethnically diverse — with 53% white, 23% African-American, 16% Hispanic, 4% American Indian/Alaskan, 2% Asian, and 2% other. Program data on the education of more than 4 million adults participating in CSBG programs show that 56% had a high school diploma or equivalency certification, and only 20% of adult program participants had pursued post-secondary study. The education level of a majority of adult CSBG clients suggested that the odds of their escaping poverty without additional training were very low.³

In FY2003, state governments were unable to increase funding for supportive services for the poor, including services that could sustain self-sufficiency. Compared to FY2002 resources for CSBG-related activities, both federal and state FY2003 funding had declined by 4%. The report's data indicated that FY2003 CSBG funding was below FY2002 levels, both nominally and in inflation-adjusted dollars. In FY2003, there was a slight growth in funding from local and private sources; however, funding from federal and state governments stagnated, reportedly causing a reduction in the total resources of the CSBG network.⁴

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

² Ibid., pp. iv-vi, 22-23.

³ Ibid., pp. vii-viii, 25.

⁴ Ibid., pp. xiii, 72.

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 appropriate funds for them.

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 FY2005, the \$27.3 million appropriation for Community Economic Development activities supports the award of 39 grants, of which 24 are new and 15 are continuations, 7 contracts, and 2 interagency agreements.⁵

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). 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.

With its FY2005 appropriation of \$5.44 million, JOLI awarded 10 grants, 2 contracts, and 2 interagency agreements.⁶

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: home repair to low-income families, water and waste water facilities management, and developing low-income rental housing units.

⁵ Department of Health and Human Services Fiscal Year 2006, Administration for Children and Families, *Justification of Estimates for Appropriations Committees*, p. 151.

⁶ *Ibid.*, p. D-154.

The FY2005 appropriation of \$7.24 million for Rural Community Facilities supports the award of 8 grants, 2 contracts and 2 interagency agreements.⁷

National Youth Sports Program. Under this program, a grant is 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 with the \$17.86 million appropriation for the National Youth Sports Program.⁸

Community Food and Nutrition Program. This program provides 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 requires that 60% of the amount appropriated for this program (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 are to be 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.

The FY2005 appropriation for the Community Food and Nutrition program is \$7.2 million. This funding supports the following awards: 104 new grants, 1 contract, and 2 interagency agreements.⁹

Individual Development Accounts. The Assets for Independence Act (Title IV, P.L. 105-285) initially provided for a five-year demonstration grant 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

⁷ Ibid., p. D-152.

⁸ Ibid., p. D-156.

⁹ Ibid, p. D-159.

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* and CRS Report RS21813, *Tax Credits for Individual Development Accounts*.)

Since its creation, the Assets for Independence program has opened over 12,000 IDA accounts with deposits of over \$7 million. An assessment of the program, however, reveals it lacks “partner-supported performance measures with baselines and ambitious targets.”¹⁰ Nevertheless, the Administration supports reauthorization of the Assets for Independence Act, promising to work with Congress to legislatively improve the program.¹¹ The FY2005 appropriation for IDA is \$24.7 million.

FY2006 Budget Proposals

Strengthening America’s Community Initiative (SACI)

President Bush’s FY2006 budget request includes a proposal to eliminate at least 18 existing community and economic development programs and replace them with a proposed “Strengthening America’s Communities Initiative.”¹² Although the Administration has yet to provide specific details of this proposal, among programs to be included are the Community Services Block Grant and some of the related activities discussed in this report (Community Economic Development, JOLI, Rural Community Facilities). Programs proposed for inclusion in SACI are currently administered by various federal agencies, including HHS and the Department of Housing and Urban Development (HUD); however, the Administration would base the new initiative in the Department of Commerce. The President requests \$3.7 billion for FY2006 to fund the new initiative; programs that would be included are currently funded at an estimated total of \$5.6 billion. The largest program proposed for inclusion in this initiative is HUD’s Community Development Block Grant (CDBG), funded in FY2005 at \$4.1 billion.

Three separate congressional committees have held hearings on the proposed Strengthening America’s Communities Initiative, 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 has not been enthusiastic. For example, in reporting the FY2006 budget resolution subsequently adopted by the full House (H.Con.Res. 95), the House Budget Committee stated that the budget resolution assumes an additional \$1.1 billion —

¹⁰ Ibid, p. D-164.

¹¹ Ibid.

¹² For more information on the Administration’s proposal, see CRS Report RL32823, *An Overview of the Administration’s Strengthening America’s Communities Initiative*, by Eugene Boyd, et al.

above the Administration's request — “to accommodate higher appropriations for programs such as the Community Development Block Grant.” The Budget Committee further states: “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.” In adopting its version of the budget resolution (S.Con.Res. 18), the Senate approved an amendment to “restore funding for the Community Development Block Grant (CDBG) program and other programs proposed to be eliminated and to retain the administration of these programs at their current agencies.” Formal legislation to establish the new initiative has not yet been submitted or introduced in Congress.

Zero Funding Requests

In conjunction with the SACI proposal described above, the Administration requests no funding in FY2006 for CSBG, Community Economic Development, JOLI, and Rural Community Facilities. Although the President does not include two other CSBG-related activities in his initiative — the National Youth Sports Program and the Community Food and Nutrition Program — neither does he request FY2006 funding for them, stating that they duplicate activities that can be provided by existing programs such as the Social Services Block Grant or under the U.S. Department of Agriculture's (USDA) Food and Nutrition Service. The discretionary “outreach grants” and the Community Food Project (Section 25 of the Food Stamp Act) are two USDA programs that provide federal support for activities similar to the Community Food and Nutrition Program. The discretionary outreach program has been funded at \$1 million in each of FY2004 and FY2005, while appropriated funding for the Community Food Project is \$5 million a year through FY2007. The Administration has not requested additional funding in FY2006 for the discretionary outreach program or Community Food Project at USDA or for the Social Services Block Grant to accommodate any increase in demand for these resources that might result if the Community Food and Nutrition Program or the National Youth Sports Program are zeroed out.

Request for IDAs

Individual Development Accounts, authorized by the expired Assets for Independence Act, are the only CSBG-related activity for which the Administration has requested funding in FY2006. The President's budget includes a request of \$24.7 million for this program.

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).¹³ H.R. 341 would reauthorize the CSBG and related activities through FY2012. 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.

H.R. 341 was referred to the House Education and the Workforce Committee. Subsequently, in April 2005, Representative Osbourne, Committee Chairman Boehner, and Education Reform Subcommittee Chairman Castle requested that the Government Accountability Office (GAO) conduct a study of the financial oversight

¹³ H.R. 3030 contained an unrelated unemployment compensation provision, which is not included in H.R. 341.

structure of CSBG.¹⁴ Specifically, GAO has been asked for information on the approaches states use to ensure compliance by CSBG grantees with federal laws and regulations, efforts made by HHS to oversee states' monitoring of CSBG grantees, and the approaches used by states in providing training and technical assistance to grantees using funds reserved for this purpose.

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 the Senate passed S. 1786, the Poverty Reduction and Prevention Act. Conferees never met to resolve the differences in the two bills, and thus CSBG remains an issue before 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

¹⁴ For an explanation of the Committee's rationale in requesting this study, see [<http://edworkforce.house.gov/press/press109/first/04apr/gaocsbg041305.htm>].

used: 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 Funding History

FY2006

On July 14, 2005, the Senate Appropriations Committee reported its version of a funding bill for the Departments of Labor, HHS, and Education, and Related Agencies (H.R. 3010), containing a total of \$708.9 million for community services programs in FY2006, compared to total funding in FY2005 of \$726.5 million. The Senate committee bill would maintain the CSBG at its FY2005 level of \$636.8 million, despite the Administration's request for zero funding. In its bill report (S.Rept. 109-103), the committee said it "rejects" the Administration's recommendation to eliminate funding for the CSBG: "The Committee continues to recognize the importance of CSBG and the Community Action Agencies it funds in helping meet the extraordinary challenges facing low-income communities." Likewise, the Senate Committee would maintain current funding levels for most related activities, with the exceptions of a slight increase for Rural Community Facilities and zero funding provided for the National Youth Sports Program.

In contrast, on June 21, 2005, the House passed its version of H.R. 3010, with a total of \$384.7 million for community services programs. The bill would provide \$320 million for the block grant, for a reduction of about half. FY2005 funding levels would be maintained for Community Economic Development, JOLI, and Rural Community Facilities. Funds for Rural Community Facilities would be allocated to regional rural community assistance programs for the sole purpose of improving water and wastewater facilities in poor, rural communities, not for home repair to low-income families nor for developing low-income rental housing units, as in the past. The same provision is included in the Senate committee bill. Neither the House-passed H.R. 3010 nor the President's request would fund the National Youth Sports or the Community Food and Nutrition programs. (See **Table 1** for details.)

FY2005

The Consolidated Appropriations Act, 2005 (P.L. 108-447; H.R. 4818), enacted December 8, 2004, provided \$732.4 million for community services programs. The following funding amounts do not reflect the mandatory reduction of 0.80%: \$641.9 million for CSBG; \$33 million for Community Economic Development (of which \$5.5 million was for JOLI); \$7.3 million for Rural Community Facilities; \$18 million for National Youth Sports; \$24.9 million for IDAs and \$7.2 million for Community Food and Nutrition. The President requested FY2005 funding of \$552 million for community services programs, for distribution as follows: \$495 million for CSBG; \$25 million for IDAs; and \$32 million for community services discretionary programs. He did not request funding for Rural Community Facilities, the National Youth Sports program or the Community Food and Nutrition program. See **Table 1** for funding levels that reflect the required FY2005 rescission as well as funding for other fiscal years.

FY2004

Enacted on January 23, 2004, the Consolidated Appropriations Act, 2004 (P.L. 108-199), provided total FY2004 funding of \$735.7 million for community services programs, which was subject to a 0.59% across-the-board rescission.

**Table 1. Enacted Funding for CSBG and Related Activities,
FY2001-FY2005 and the FY2006 Budget Request**
(\$ in millions)

Program	FY2001	FY2002	FY2003	FY2004 ^a	FY2005 ^b	FY2006 Request	House-passed bill H.R. 3010	Senate Committee H.R. 3010
Block Grant	\$599.99	\$649.97	\$645.76	\$645.8	\$636.79	\$0 ^c	\$320.0	\$636.79
Community Economic Development	24.53	26.97	27.08	32.5 ^b	27.30 ^b	0 ^c	32.73 ^d	32.73 ^d
Job Opportunities for Low-Income Individuals (JOLI)	5.5	5.5	5.46	5.43 ^b	5.44	0 ^c	^u	^u
Rural Community Facilities	5.32	7.0	7.20	7.2	7.24	0 ^c	7.24	7.49
National Youth Sports Program	16.0	17.0	16.89	17.89	17.86	0	0	0
Community Food and Nutrition	6.31	7.31	7.28	7.24	7.18	0	0	7.18
Individual Development Accounts	24.99	24.94	24.83	24.69	24.70	\$24.7	24.7	24.7
Total	\$682.64	\$738.69	\$734.50	\$740.75	\$726.51	\$24.7	\$384.67	\$708.89

Source: Table prepared by the Congressional Research Service (CRS). Unless otherwise stated, sources of data were agency budget justifications and congressional appropriations documents.

- Funding reflects a 0.59% across-the-board rescission as per conference agreement on H.R. 2673.
- Funding reflects the Consolidated Appropriations Act, 2005 mandated rescission cut of 0.80%.
- These activities would be replaced by President Bush's Strengthening America's Communities Grant Initiative.
- The House-passed and Senate committee-reported H.R. 3010 would provide \$32.73 million for community economic development of which \$5.44 million would be for JOLI.