

**Joint Oversight Hearing
2018-2019 Community Services Block Grant State Plan
Assembly and Senate Human Services Committees**

**August 22, 2017
1:30pm, State Capitol Room 437**

Background Paper

Poverty in California

According to the U.S. Census Bureau’s Official Poverty Measure, over 5.8 million Californians (15% of the state’s population) lived in poverty, as averaged over 2013 through 2015. Using the Supplemental Poverty Measure – a more nuanced metric that accounts for, among other things, regional differences in the cost of living – the U.S. Census Bureau found that over one in five (almost 8 million) Californians were living in poverty during that same period. California has the highest supplemental poverty rate of all 50 states.

The causes of poverty are varied and complex. Often, systemic factors such as high housing costs, job markets skewed towards employees with relatively high levels of education, and lack of affordable child care can combine with the myriad barriers individuals may face (including domestic violence, mental health issues, substance use disorders, and learning disabilities) to leave individuals struggling to attain the education and employment necessary to afford adequate shelter, food, and other basic necessities for themselves and their families.

Additionally, poverty is often concentrated in particular neighborhoods and communities, where its causes and effects can become further compounded. According to a 2016 report entitled “U.S. Concentrated Poverty in the Wake of the Great Recession” by the Brookings Institution:

“The intersection between poverty and place matters. Poor neighborhoods come with an array of challenges that negatively affect both the people who live in those neighborhoods – whether they themselves are poor or not – as well as the larger regions in which those neighborhoods are located. Residents of poor neighborhoods face higher crime rates and exhibit poorer physical and mental health outcomes. They tend to go to poor-performing neighborhood schools with higher dropout rates. Their job-seeking networks tend to be weaker and they face higher levels of financial insecurity. The many barriers imposed by living in a poor neighborhood make it that much harder for residents to move up the economic ladder, and their chances of doing so only diminish the longer they live in such neighborhoods.

...The concept of concentrated poverty reflects the fact that while pockets of deep neighborhood poverty can affect the well-being of all residents, they are especially

troubling for poor families who already face burdens associated with their low incomes, and who may have fewer housing and neighborhood choices available to them. These challenges disproportionately fall to people of color, and, while they have long been particularly pronounced in inner cities, as poverty has spread beyond the urban core, so too has concentrated disadvantage.”

Addressing the myriad, complex causes and impacts of poverty requires a number of varying approaches. The federal Community Services Block Grant (CSBG) provides California with one set of resources for doing so in a way that is responsive to local community needs.

The Community Services Block Grant

The primary goal of the CSBG is to provide federal dollars to states to alleviate the causes and conditions of poverty in communities. Funding is used to support community projects that seek to address the needs of low-income individuals and provide services and activities that reduce barriers to overcoming poverty.

Administered by the U.S. Department of Health and Human Services (HHS), the CSBG was started as a component of President Lyndon B. Johnson’s War on Poverty. The Economic Opportunity Act of 1964 (P.L. 88-452), which established the Community Action Program (CAP), formed public agencies and private nonprofits, known as Community Action Agencies (CAAs), with the goal of promoting self-sufficiency and responding to the local social and economic needs of low-income individuals.

In 1981, the Omnibus Budget Reconciliation Act (P.L. 97-35) consolidated several funding streams into the CSBG. While the funding continued to retain its original purpose of alleviating poverty and promoting self-sufficiency, restructuring the funding as a block grant shifted substantial implementation responsibilities from the federal government to individual states. Currently, each state is responsible for determining the formula used to distribute the block grant to eligible entities, while simultaneously ensuring that consumers are adequately served. The most recent federal reauthorization of the CSBG was in 1998 through the Community Opportunities, Accountability, and Training and Educational Services Act of 1998 or the “Coats Human Services Reauthorization Act of 1998” (P.L. 105-285). Authorization of appropriations for the CSBG and related programs expired in 2003; however, Congress has continued to fund the program through annual appropriations.

In California, the CSBG is administered by the California Department of Community Services and Development (CSD). Under the umbrella of the California Health and Human Services Agency, CSD is responsible for setting policy, providing guidance to eligible entities, disseminating funds, and monitoring and reporting on activities of CSBG-eligible entities. Eligible entities consist of private, non-profit, and local government community service providers serving all 58 counties that work to assist low-income families in achieving and maintaining self-sufficiency. State law (California Government Code 12725 *et seq.*) states Legislative intent that the CSBG Program be governed by the principle of community self-help, thereby promoting new economic opportunities for Californians living in poverty through well planned, broadly based and locally controlled programs of community action.

In Federal Fiscal Year (FFY) 2016, the federal appropriation for the CSBG block grant was \$715 million and in FFY 2015, this appropriation was \$674.3 million. In FFY 2015 (the most recent year for which data are available), 15.6 million individuals across the nation, or 6.5 million families, were served by CSBG programs and services. Of those served, more than 37% of the clients were children and over 21% were persons 55 years of age and older. For FFY 2017, Congress allocated \$696 million for CSBG funding (a slight reduction from FFY 2016 funding levels) with California receiving \$62.89 million. Projected allocations to California for 2018 are \$56,605,246 in federal funds (a decrease of over \$6 million from the previous year), of which \$3,144,726 is proposed to be allocated for administrative purposes.

Federal law requires states to prepare a State Plan and Application (State Plan) every two years to be submitted at the federal level to the Secretary of HHS. CSD is required to hold a public hearing in conjunction with the State Plan, as well as a legislative hearing every three years. The 2018-19 CSBG State Plan covers FFY 2018 (October 1, 2017 to September 30, 2018) and FFY 2019 (October 1, 2018 to September 30, 2019) and is due to the federal Office of Community Services by September 1, 2017. This Joint Oversight Hearing enables the state to meet both hearing requirements simultaneously.

Provision of CSBG services: Eligible entities

Federal administration of the CSBG falls within the jurisdiction of the Division of State Assistance in the Office of Community Services (OCS) within the Administration for Children and Families (ACF). CSBG funding is administered as block grants to eligible entities in all 50 states, as well as nearly 50 American Indian Tribes, who receive funding directly from ACF. Over 1,000 CAAs provide anti-poverty services throughout the country. Of these, approximately 80% are non-profits, and 20% are public entities, which are often a part of a city or county government. Currently, there are 60 private non-profit and local governmental organizations across California that receive CSBG funds in order to provide services to individuals.

The three types of eligible entities in California that receive CSBG funds are:

- **Community Action Agencies:** CAAs are the most common type of eligible entity and were first created by the federal Community Action Program in 1964. These non-profit and public organizations are tasked with aiding individuals who live in poverty. Specifically, these agencies help people achieve self-sufficiency by providing certain services, such as child care, education, energy assistance, emergency assistance, financial and legal services, food programs, health services, housing services, prevention programs, self-reliance programs, and youth services. There are currently 52 CAAs throughout the state that receive CSBG funds and administer services to low-income Californians.
- **Migrant and Seasonal Farmworker agencies:** Aimed at providing services to farmworkers throughout the state, Migrant and Seasonal Farmworker (MSFW) agencies are authorized to receive CSBG funding under both federal and state law (42 U.S.C. § 9902 and California Government Code Section 12765 *et seq.*) in order to promote self-

sufficiency among farmworkers and their families both in and out of California's agricultural industry. There are currently four MSFW agencies in California receiving CSBG funds.

- Native American Indian agencies: California law, specifically Government Code Sections 12770 through 12773, requires CSBG funds be set aside to aid "American Indians and Alaskan Natives residing in off-reservation and reservation areas of the state to achieve a greater degree of self-sufficiency through the principles of community self-help." Currently there are three Native American Indian agencies that receive CSBG funds throughout California. While CSBG funding is provided to Native American Indian agencies pursuant to California state law (California Government Code Section 12770 *et seq.*), federal CSBG statute does allow for Indian tribes to apply for funding directly from the federal government. In California, only the Quechan Indian Tribe receives CSBG funds directly from the federal government; unlike other entities, CSD and the State of California do not play an active role in administering funds directly allocated to the Quechan Indian Tribe.

In order to be eligible for CSBG funding, local entities must meet certain statutory requirements, including being governed by a three-part community board consisting of one-third elected public officials, and at least one-third individuals representing the low-income community, with the remaining third comprised of a combination of leaders in the private sector, such as businesses, faith-based groups, and civic organizations. These entities must periodically assess the needs of the communities they serve and function as a source of information about efforts to reduce poverty, and they must also develop strategies to increase economic opportunity for low-income individuals in the community.

Termination of status as an eligible entity

Many eligible entities have been approved to administer CSBG funds for a significant number of years and retain ongoing eligibility to receive those funds by maintaining compliance with the aforementioned programmatic and fiscal requirements. In the event that an eligible entity does not meet these requirements, entities may opt to relinquish their eligibility status, or their eligibility status may be revoked upon further review by CSD. Each year, CSD conducts an annual agency-wide audit in order to determine the financial health of eligible entities.

In the rare instance when an entity relinquishes its eligibility, the financial health of the agency is typically a contributing factor. For example, in 2012, Placer County determined that it was not administratively feasible to maintain its CAA based upon allocations it received. In 2013, Project Go, Inc., was designated as the replacement CAA for Placer County.

CSD also has the authority to terminate an entity's eligibility for CSBG funds, provided all state- and federally required steps are taken. In 2010, when the San Mateo Community Action Agency, which served San Mateo County, experienced significant management failures, financial management issues, and insolvency, CSD was made aware of the issues and, upon the agency's annual audit as well as an independent audit, CSD made the decision to terminate San

Mateo CAA's eligibility status. In 2012, the San Mateo Human Services Agency was designated as the new CAA for San Mateo County.

Very recently, the board of directors of a San Francisco-based CAA elected to voluntarily relinquish its status as a CAA and to terminate its contracts with CSD. The Economic Opportunity Council of San Francisco (EOCSF), a private non-profit corporation, is the only designated CAA serving the City and County of San Francisco that receives federal funds via the CSBG and Low Income Home Energy Assistance Program (LIHEAP), which provides assistance to eligible low-income households to help them manage and meet their immediate home heating and/or cooling needs.

In October 2016, due to concerns regarding the financial stability of EOCSF, CSD placed EOCSF on "high risk" status and increased scrutiny of reimbursements paid by EOCSF with federal LIHEAP and CSBG funds. CSD also began offering technical assistance to correct any areas of concern in EOCSF operations. Due to increasing concerns regarding financial stability, in addition to whistleblower complaints, CSD initiated an independent audit of EOCSF financial operations. The resulting audit report found deficient internal control and financial practices, questionable costs, commingling of funds, and conflicts of interest. In addition, the report indicates that EOCSF is insolvent and should consider filing for bankruptcy protections. Per the audit, as of May 31, 2017, EOCSF was insolvent by more than \$1 million. However, there may be additional unknown liabilities which the pending bankruptcy and possible future audits may reveal.

On July 17, 2017, EOCSF was formally notified that the audit findings could result in termination of their status as a CAA and loss of eligibility to receive federal grant funds. On August 7, 2017, CSD was notified that the EOCSF Board of Directors passed a resolution to voluntarily relinquish EOCSF's status as a CAA and terminate its contracts with CSD. The resolution states the intent of EOCSF to work with CSD to develop a process to transition services and ramp down its operations.

In the event that a particular area is not served by a CSBG eligible entity, either because the previous eligible entity relinquished its eligibility status, or its status was terminated by the department, CSD conducts a search for a replacement agency. A request for application is released and agencies wishing to fill the role of eligible entity may apply to the department. All new eligible entities are required to meet the same programmatic and fiscal requirements as existing eligible entities. CSD is negotiating a termination agreement that will detail the timeline, transition plan, and budget necessary to ensure an orderly close out of EOCSF's contracts. In the meantime, CSD will identify a new agency, or agencies, to administer LIHEAP¹ and CSBG in San Francisco. Regarding CSBG, CSD advises there may be a break in services while the department seeks to identify an eligible CAA, which will likely require

¹ Regarding LIHEAP, CSD is seeking to identify an energy company that will provide energy assistance and weatherization services on an interim basis under LIHEAP until CSD can procure a permanent agency. If an interim provider cannot be identified, CSD will take responsibility for administering energy assistance payments under LIHEAP to ensure the community continues to receive this assistance.

competitive procurements to award funding and designate new eligible CAAs. The process could take six months or longer.

Provision of CSBG services: Individuals receiving CSBG-funded services

Eligible entities are required to outline their efforts to address the conditions of poverty in their Community Action Plan (CAP), which is submitted to CSD on a biennial basis. CAPs identify the service territory of an eligible entity as well as the service delivery system, and include a comprehensive community needs assessment, which describes the current conditions of poverty within the community. CAPs are used to further understand the needs of low-income individuals throughout the state and allow for the customization of services to fit the specific needs of a community.

Many individuals benefit from services provided by the 60 CSBG-funded eligible entities which provide services in all of California's 58 counties. In order to be eligible for services in California, recipients must reside in households with incomes at or below 100% of the Federal Poverty Level (currently \$20,420 for a family of three). During the 2016 program year, CSBG funds were used to facilitate the provision of services for 1,895,917 individuals in the State of California. The following statistics provided by CSD illustrate the demographic breakdown of participants served by California eligible entities during the 2016 program year:

- Gender:
 - 56% female
 - 44% male

- Age:
 - 18% ages 0 to 5
 - 10.8% ages 6 to 11
 - 9.8% ages 12 to 17
 - 7.6% ages 18 to 23
 - 22.3% ages 24 to 44
 - 8.7% ages 45 to 54
 - 11.9% ages 55 to 69
 - 10.8% ages 70 and over

- Ethnicity:
 - 50% Hispanic, Latino or Spanish Origin
 - 50% not Hispanic, Latino or Spanish Origin

- Race:
 - 3.1% American Indian & Alaska Native
 - 8.3% Asian
 - 9.9% Black or African American
 - 4.6% Multiracial
 - 0.5% Native Hawaiian & Other Pacific Islander
 - 27.6% Other
 - 46.0% White

- Family Structure
 - 40% single person
 - 20% single mother head of household
 - 3% single father head of household
 - 9% two adults with no children
 - 23% two parent household
 - 6% other

Allocation of CSBG funds

As described earlier, in 2015, Congress appropriated over \$674.3 million for the CSBG Act; of those funds, California received approximately \$59.8 million in grant funding. State CSBG funds may be spent on three allowable expenses: grants to local eligible entities, state administrative costs, and discretionary projects. States are required to allocate 90% of the funding to local agencies, and may keep only 5% of their allocation for state administrative expenses. The remaining 5% may be used on discretionary spending at the state level.

Each state receives a yearly allocation, but is allowed to spend those funds over a two-year period. States therefore receive a yearly allocation in addition to funds that may carry over from the first year into the second year. In FFY 2015, California expended \$59.8 million dollars with no funds carried over from FFY 2014. The State of California allocated an additional \$7.5 million of State resources for a combined total of federal and state funds of \$67.3 million.

In order to allocate funding to eligible entities, California uses a “base + formula” in order to ensure that smaller eligible entities have enough funding to open their doors for operation. Generally each entity receives an allocation relative to the previous years’ allocation, with any increases or decreases in federal funding distributed equally among the eligible entities. Allocations are also adjusted to reflect any changes in the number of individuals living in households at or below the poverty level in the respective service area of each eligible entity, as reported by the decennial census.

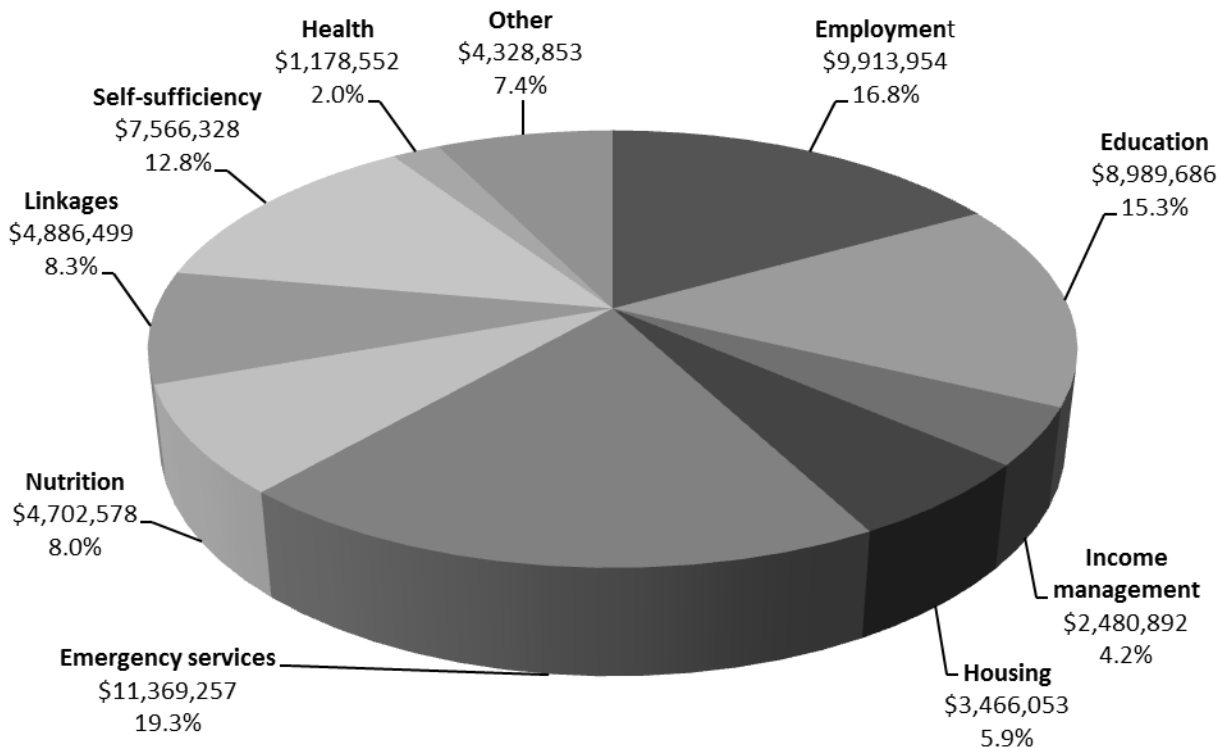
CSBG funds are distributed in California as follows:

- 76.1% Community Action Agencies
- 10% Migrant and Seasonal Farmworker Agencies
- 3.9% Native American Indian Agencies
- 5% Discretionary Funds
- 5% State Administration

How CSBG funds are used to alleviate poverty in California

In 1996, the ACF OCS and HHS produced a National Strategic Plan that identified six national goals for community action, including: 1) Low-income people become more self-sufficient; 2) The conditions in which low-income people live are improved; 3) Low-income people own a stake in their community; 4) Partnerships among supporters and providers of services to low-income people are achieved; 5) Agencies increase their capacity to achieve results; and 6) Low-income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive systems. These national goals help to further the purpose of the CSBG Act, codified in federal law (42 U.S.C. § 9901), which is “to provide assistance to States and local communities, working through a network of community action agencies and other neighborhood-based organizations, for the reduction of poverty, the revitalization of low-income communities, and the empowerment of low-income families and individuals in rural and urban areas to become fully self-sufficient.” During the 2016 program year, CSBG funds in California were expended as follows²:

CSBG Expenditures by Service Category



² Linkages refers to activities aimed at bringing together community members or groups with government and commercial organizations in order to better serve individuals in their communities, such as connecting multiple parties to facilitate community-based projects. Self-sufficiency refers to initiatives aimed at increasing the economic security for low-wage workers. An example of this would be providing trained staff to help families analyze their economic, social, medical, and educational goals and developing a plan to identify and coordinate the necessary services to achieve self-sufficiency.

Low-income Californians can face a unique set of challenges when it comes to moving out of poverty, specifically when it comes to affordable housing, career opportunities, and high school completion and higher education attainment. As a result, eligible entities in California are engaging in innovative community programs, such as:

Sacramento Employment Training Agency (SETA): Waking the Village: The Waking the Village program focuses on Sacramento County's homeless population and offers 18 months of housing and support to eligible individuals. Young parents, through the Tubman House, reside in healthy living environments, undergo intensive case management, receive parent coaching, as well as career support, in order to emerge from the program poised to be self-sufficient leaders in the community. Since the program was launched in 2003, the Waking the Village project has provided 143 young parents and their 128 children with supportive services aimed at providing a permanent path out of homelessness.

City of Oakland, Department of Human Services: Elevating Soulciety: The Elevating Soulciety program aims to promote career pathways among low-income minority youth with career pathways in fields such as EMT and fire services. The program works to identify and address barriers preventing the youth from completing educational and occupational endeavors. The program provides participating youth with five months of emergency medical training that includes career and academic assessment, job readiness training, tutoring, college credits, and a monthly stipend.

City of Los Angeles Housing and Community Investment Department: College Corners: The City of Los Angeles Housing and Community Investment Department manages the city's FamilySource Centers which, through the "College Corners" program, provides access to admissions and financial aid information for students and families throughout Los Angeles. College Corners informs youth about the classes needed for college eligibility, preparation resources for standardized testing, assistance with filling out financial aid forms, scholarship opportunities, and college readiness programs, among others. Since it was first started in 2001, College Corners has assisted nearly 250,000 students and families apply for financial aid and navigate the college application and admission process.

Community Action Partnership of San Bernardino County: Packing Party Program: In order to educate eligible individuals on hunger and food insecurity, the San Bernardino County Food Bank Program launched the Packing Party Program. The program helps to provide customized boxes of supplies and non-perishable food items to eligible individuals.