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STATE CSBG FUNDING FORMULAS

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Each year, the Community Services Network experiences the appropriations process—a lengthy yet democratic process. During this process, the Labor-Health and Human Services Appropriations bill, the bill which contains the Community Services Block Grant (CSBG) funding, is drafted, marked up, voted on and finally passed by the U.S. House of Representatives and the U.S. Senate. Then, if all goes well, the President signs the bill into public law. Once the funding levels are public law, the Secretary of the U.S. Department of Health and Human Services (U.S. DHHS) can authorize each department and office within the U.S. DHHS to begin allocating funding. It should be noted that prior to authorizing funding the Secretary of the U.S. DHHS has the authority to reallocate up to eight percent of the entire U.S. DHHS budget as she or he sees fit.

When the Administration for Children and Families, Office of Community Services (OCS) is authorized to allocate federal dollars, they use a four part funding formula, detailed in the Coats Human Services Reauthorization Act of 1998, to distribute the Community Services Block Grant (CSBG). This four part funding formula was calibrated in 1981 using the most recent census data in the following areas: state unemployment insurance numbers; number of households receiving Aid to Families with Dependent Children (AFDC) in each state; number of children receiving AFDC in each state; and state poverty statistics.

The Coats Human Services Reauthorization Act of 1998 states that the CSBG is to be distributed according to the formula described above to the states' lead agency. For the sake of this Issue Brief we will call the lead agency the state CSBG office. The state CSBG office is legally bound by the Coats Human Services Reauthorization Act of 1998 to pass 90 percent of the CSBG allocation through to its eligible entities. The remaining 10 percent can be used in the following manner; up to five percent is deemed an administrative allotment and is to be used in covering the administration of the block grant. The other five percent, discretionary funds, are to be used for capacity building, training and technical assistance, and demonstration programs for the state's Community Services Network. In some cases, states have state legislated funding formulas.

In order to get a better idea of how states distribute their CSBG funding NASCSP conducted a survey of state CSBG administrators. The level of detail in the summaries below depends on how much information was provided to NASCSP by the states. In addition, for the purpose of this Issue Brief, states are categorized by the type of formula reported in the 2000 Community Services Block Grant Statistical Report FY 2000. Using these two resources, this Issue Brief contains information about all 52 states and territories which receive CSBG funds. The following text describes what was reported.

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“HISTORICAL”

Eight of the 52 states distribute CSBG funds using a “historical” funding formula. These states are **Alaska, Colorado, the District of Columbia, Florida, Massachusetts, New Hampshire, New York, and South Dakota**. According to the 2000 Community Services Block Grant Information System (CSBG/IS) Survey Instructions, a “historical” formula traditionally means, “continuing to allocate to each eligible entity the share it received under federal funding prior to the creation of CSBG in 1981,” although each state’s formula may vary slightly from this definition.

For instance, in the state of **Alaska** all CSBG funds are allocated to the state’s sole CAA. **Colorado**, on the other hand, distributes its funds based on an agency’s percentage of poverty population as compared to the state’s total poverty population (using most recent census data available). There are currently six “multi-county” service areas, which, because they have opted for a multi-county approach, receive base funding of \$55,000 plus their share based on poverty population. The base of one of those “multi-county” areas was reduced by 25 percent because one of the four counties originally served by the agency opted not to be served by them and wanted to go to a single county service area. Their base, therefore, is \$41,250. Total amount reserved for base funding of multi-county service areas is \$316,250. This base amount stays the same regardless of the state allocation.

In the state of **Florida**, the CSBG funding formula is based on each eligible entity’s percent of the state’s CSBG pass through funds as of October 1, 1996. In **Massachusetts**, the formula distribution rationale for allocating CSBG funds to community action agencies goes back 20 years. Massachusetts continues to award funds to CAAs based on their percentage share in FY '82-83. The formula was based on a “base plus formula” allocation system that attempted to reflect poverty and related issues within a geographic area. **New Hampshire**’s CSBG distribution formula is based on poverty demographics. The six CAAs and the Governor’s Office of Energy and Community Services (ECS) mutually agreed upon the formula methodology in 1992. The state office receives five percent for administering the block grant. Five percent is used for discretionary projects which benefit all the CAAs by being statewide or being replicable in the other agencies. The remaining 90 percent is distributed by percentages based on the poverty levels determined in the most current US Census to the CAAs.

In **New York**, 94 percent of the CSBG funds are distributed to eligible entities, including the migrant and seasonal farm worker organization. The New York state statute outlines the formula used to allocate funds to eligible entities. According to the state statute, each grantee receives the same proportion of CSBG funds as was received in Federal FY 1981 under the Community Services Administration program. In **South Dakota**, the historical formula is based on CAA performance, geographic area and percentage of population in poverty.

In the **District of Columbia**, 90 percent of the allocation goes to a single designated CAA who in-turn enters into sub-grantee arrangements with 10 permanent not-for-profit agencies (grand-fathered into this role at the inception of CSBG in 1981). These make up part of a service delivery network (three neighborhood development centers & seven delegate agencies). Award amounts are based on poverty distribution by ward (there are eight wards in DC) as evidenced by the latest census data and a needs assessment similar to the Head Start method. A number of annual contracts are also issued (about 30 in FY 2002).

“BASE + FORMULA”

Twenty-five of the 52 states distribute CSBG funds using a “base + formula” method. These states are **Connecticut, Hawaii, Idaho, Indiana, Iowa, Louisiana, Maine, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, Tennessee, Texas, Utah, Vermont, and Washington**. According to the 2000 Community Ser-

vices Block Grant Information System Survey Instructions a “base + formula” method is traditionally used, “when the formula-alone method would fail to provide the smaller eligible entities with enough funding to open their doors for operation. In this case, some minimum funding level, or base is provided to each eligible entity off the top of the state allocations, to be supplemented with whatever amount its formula share might be of the remainder of the state allocation for local agencies” although each states’ formula may vary slightly from this definition.

Connecticut’s state statute, for instance, outlines a formula which was constructed allocating 50 percent of the CSBG funds based on the base year's appropriation and 50 percent based on the proportion of the state's low-income population living in the CAA region. On the other hand, **Hawaii**'s formula for distribution of CSBG funds to its four eligible entities in the state is as follows: amounts at or below \$1,399,024 (level of CSBG funding for Federal FY 1989) are distributed at the 1989 rates previously estimated by the former Community Services Administration. Any amount above that is allocated to the four eligible entities, based on the percentage of the poor population in the county, the eligible entity serves (according to latest census numbers).

In **Indiana**, the formula is based on low-income population in the areas served. Indiana retains five percent for state administration. The other five percent, discretionary funds, are used for training and technical assistance (three percent of the total) and discretionary projects (two percent of the total). Eligible entity funds not fully expended are reallocated to the same agency as carry-over funding for the next year. Most of the training and technical assistance funds are contracted to the CAA Association (IN CAA) to provide training through their Indiana Training Institute. Some is used for conferences, seminars, and other training. The balance of the discretionary funds is used to support innovative community and neighborhood-based initiatives. This funding is available to eligible entities and all other non-profit organizations and faith-based organizations for specific projects.

Iowa's formula requires that not less than 96 percent of CSBG funds be distributed by the state to eligible entities. There is a base allocation per entity of \$100,000. The balance of funds is distributed based on the size of the poverty-level population in the service area compared to the size of the poverty-level population statewide. In **Maine**, the state office uses five percent to cover the cost of administering the block grant then distributes half of the remaining funds equally among Maine's 11 CAAs. The other half is distributed based on a formula, which uses numbers of people living below poverty in each CSBG area. **Minnesota** provides base funding to all grantees--small (\$25,000 per year), medium (\$50,000) and large (\$100,000). The remainder of Minnesota’s funding, combined state and federal, is allocated based on the percent of state's low-income population residing in the service area. In **Missouri**, the basis for the formula is half poverty population and half historical/ other.

By state statute, **Montana** allocates funds to CAAs as follows: \$50,000 base per agency; the rest is divided equally into two parts, the CAA’s proportionate share of the total low-income population and it's share of the total population. **Nebraska** typically uses five percent for administration. In those years when they do not use the entire five percent, Nebraska uses the remaining administration funds for discretionary programs. Nebraska uses another five percent of the funds for discretionary programs that benefit all the CAAs. Normally, Nebraska uses about 50 percent of the discretionary funds to support the state association. The remaining 90 percent is distributed to the CAAs using a \$50,000 base and the remainder is distributed by a formula that uses poverty population in each CAA service area.

Nevada uses five percent for administering the block grant, five percent for discretionary projects and then passes through the remaining 90 percent to 17 CAAs. The 90 percent pass through consists of a "base amount" with the remaining amount distributed according to the proportionate share of people below poverty in each CAA service area in relation to the state's total poverty population. The largest CAA receives \$100,000, the second largest receives, \$50,000, and a small rural CAA receives \$25,000. The remaining

CAAs in the state are rural county governments and they receive a base amount of \$1,000. **New Mexico** allocates 90 percent of its funds to nine CAAs. Each agency receives a base of \$50,000. One agency is allocated an additional \$79,515 to provide statewide services to seasonal and migrant farm workers. The balance of the funds are allocated by county. New Mexico currently use the 1997 census poverty population data to determine county allocations. In **North Carolina**, the 90 percent funding to CSBG eligible entities is distributed based on the ratio of persons in poverty in the county (counties) served by the eligible entity compared to the number of persons in poverty in all counties of the State receiving CSBG services.

As a result of the new census data the **North Dakota** formula has been updated. The new formula is as follows: the base allocation is 28.74 percent of the 91 percent North Dakota passes through. This divided into eight equal regional amounts for the seven CAAs plus \$1,000 per county for each county served by the CAAs; plus the remainder of the award is based on the percent of poverty within the CAA's service area, determines what a CAA receives. **Oklahoma's** CSBG formula is based county by county with weights for poverty percentage and total square miles per service area.

The Community Services Block Grant for **Oregon** is allocated as follows, 90 percent goes to local entities that meet the requirements of the CSBG Act. For each CAA there is a base allocation of \$142,500 plus a formula that will take into account factors, which are based on the census, such as poverty population (50 percent), Food Stamp recipients (40 percent), and farm worker population (10 percent), within grantees' service areas. This "base + formula" determines the funding level for each eligible entity. Five percent of the CSBG funding is used in a discretionary grant process. These funds are used to support such projects as the Community Action Directors of Oregon Organization, one-time replicable special projects, and other needs identified throughout the year. The remaining five percent of the CSBG dollars are used for the state administration of the grant. Any unused administration money is added into the competitive grant process.

In **Pennsylvania**, the 90 percent pass through is distributed using the poverty numbers. In addition, Pennsylvania added in a factor for average unemployment for the preceding year weighted at 25 percent of the funds being allocated. This gives Pennsylvania the opportunity to make yearly adjustments for unfolding economic trends. **Rhode Island** has always used a base of \$90,000 plus percent of poverty and updates when new census data is available. In **Texas**, the formula is based on poverty (98 percent) and inverse population density (2 percent). Texas uses the inverse population density factor to address the rural nature and vast geography in parts of the state. At present, the state of Texas has 49 CSBG eligible entities, and each entity has a designated service delivery area. Ninety percent of the state's annual CSBG allocation is distributed to these organizations according to the following method: a base allocation of \$30,000 is reserved for each CSBG contractor, then a formula is applied that uses poverty population as 98 percent of the weight factor and inverse population density ratio as 2 percent of the weight factor. In FY 2001, the minimum amount of a CSBG contract is \$124,033 (called the floor). The first time the allocation formula is run using the indicated factors, any contractor whose allocation falls below the floor is brought up to the floor amount. Five contractors received the minimum amount of CSBG funding in FY 2001. Funds for all first round contractors are reserved from the state's allocation and the same allocation process is applied to the remaining CSBG contractors. Each time the state's CSBG allocation is increased, the floor will be increased by an equal percentage. If the state's allocation is lowered, the floor will be lowered by an equal percentage, but the floor will never drop below \$80,000. The base amount will remain at \$30,000. Texas Department of Housing and Community Affairs (TDHCA) allocation formula was devised in 1993 in response to changes in the 1990 census. This formula was implemented in 1994. TDHCA received input from a Policy Review Committee composed of 23 CAA executive directors that represented both urban and rural areas from seven regions across the state. Texas also considered the formulas in operation in other states.

In the state of **Vermont**, the 90 percent pass through is distributed to the CAAs in the following manner, 50 percent is divided equally among the five CAAs (20 percent each); 40 percent is divided based on the percent-

age of people below 125 percent of poverty in the CAA service area; five percent is divided based on the percent of people below average per capita income in the service territory; and five percent is divided as a percentage of people above the unemployment rate in the service territory. In **Washington** state, each CAA service area received funding based on the percentage of the population at 125 percent of poverty; allot a \$100,000 base to each; allot a secondary base to those areas, which represent at least 5 percent of states poverty; lastly, with two exceptions (Seattle and Lewiston) allot the remaining funds to CAAs based on percentage of each geographic area to the total population in poverty.

“FORMULA ALONE”

Six of the 52 states distribute CSBG funds using a “formula alone” method. These states are **Alabama, Delaware, Georgia, Kentucky, Mississippi, and South Carolina**. According to the 2000 Community Services Block Grant Information System Survey Instructions, a “formula alone” method traditionally means, “the allocation to any one eligible entity is calculated solely by determining the share its service area has relative to the total in the state of some factor(s) (such as population below the poverty income level, TANF households, unemployment rate, square miles, etc.)” although each state’s formula may vary slightly from this definition.

The state of **Alabama** allocates 95 percent of its funds to CAAs on the basis of the poverty percentages. **Delaware**’s three counties are served by one statewide community action agency in partnership with eight non-profit subcontractors. There is no requirement to use a given percentage of funds in a certain geographical area but, as a practical matter, the split is about one-third to each.

Georgia takes the number of poverty families in the state, according to the most recent census data, divides the number of families in poverty in each county by the total number of families in poverty in the state. This formula determines the percent of poverty in each county. This percent is then used to ascertain the percent of funds to be allocated to that county from the grant award, after making mandatory adjustments. The counties and their percent of funds are sorted by agency service delivery area(s) and the funds are allocated to the agency as a single dollar amount. Finally, the department contracts with the eligible agency for this dollar amount after the agency submits appropriate plans and documents required in the request for funding application process. In the state of **Mississippi**, the poverty percentages by county as determined by the 1990 census, are used to distribute funds.

“FORMULA WITH VARIABLES”

Five of the 52 states distribute CSBG funds using a “hold harmless + formula” method. These states are **Arizona, California, Illinois, Wisconsin, and Wyoming**. According to the 2000 Community Services Block Grant Information System Survey Instructions, a “formula with variables” method traditionally is used by, “states which use a formula for the in-state allocation of most CSBG funds, but also award a fraction of their monies on a subjective basis, such as the quality of proposals received. ‘Variable’ means elements other than formula factors, which are considered in distributing funds ” although each state’s formula may vary slightly from this definition.

Amendments in 2002 to **California**’s state law resulted in the following methodology for distribution of CSBG funds: First each Community Action Agency (CAA) is allocated a proportionate share of the available CSBG funds equal to the percentage of the state’s impoverished population residing in the CAAs service area, as reported in the most recent census. Second, CAAs that could have qualified for minimum funding under former Community Services Administration policies receive a minimum level of funding to ensure that they will be capable of operating a community action program. Beginning with the 2003 federal CSBG Grant, the minimum level of funding shall equal fifty-five hundredths of 1 percent (\$241,466 based on 2002 federal fund-

ing) of the state community action agency network allocation. In 2004, the minimum level of funding shall equal six-tenths of 1 percent (\$263,418 based on 2002 federal funding) of the state community action agency network allocation. The levels of minimum funding shall be funded from increases in federal CSBG funds, or at the discretion of the director, from CSBG discretionary funds. If these sources are not sufficient to achieve the increased, the phase-in of new level shall continue until the levels are reached. No CAA shall have its allocation reduced below the level allocated to it from 2002 federal CSBG award to California in order to establish the levels of minimum funding. If federal appropriations are diminished for any fiscal year by any amount up to 3.5 percent, the director shall use discretionary funds to proportionately restore CSBG grantees to full funding levels. If the total level of federal CSBG funds is reduced by more than 3.5 percent below the amount appropriated in the annual Budget Act, all agencies shall be reduced by an equal percentage, which shall be that percentage in excess of 3.5 percent. In the event of a funding reduction of 5 percent or more, the Legislature must make a statutory determination regarding the adjustments in fund allocations in response to the reduction.

Illinois, on the other hand, allocates the full 90 percent of its funds to its statewide network of 36 CAAs on the basis of their share of the state's low-income (125 percent of poverty) population.. The allocation is conditioned so that if the CAA does not receive at least 70 of a possible 100 points in an evaluation of the preceding year's program, six percent of the funds are “de-obligated” and, if the CAA does not submit an acceptable grant agreement for the succeeding year, four percent of their CSBG funds are “de-obligated.” Funds that are “de-obligated” are returned to the CAA network through discretionary program funding or formula distribution.

“HOLD HARMLESS + FORMULA”

Six of the 52 states distribute CSBG funds using a “hold harmless + formula” method. These states are **Arkansas, Kansas, Maryland, New Jersey, Virginia, and West Virginia**. According to the 2000 Community Services Block Grant Information System Survey Instructions, a “hold harmless + formula” method traditionally is used, “as a transition method in moving from a historical to a formula allocation, but moving in steps in order that eligible entities not be reduced or increased precipitously in any one funding period,” although each state’s formula may vary slightly from this definition.

In **Arkansas**, 65 percent of the funds are distributed by historical/hold harmless system. This means that the agencies receive a percentage of an increase equal to the percentage they have historically received. The remaining 35 percent of the funds are distributed by poverty population status. **Kansas**’s formula is based on the census and the population changes of low-income people within the counties. Specifically, Kansas uses a historical percent and makes modifications to account for the changes in proportioned share of low-income served by each of the agencies. More specifically, 95 percent of the CSBG funds are allocated to CAAs and one migrant farm worker entity, five percent are administrative and five percent are discretionary funds.

Awards are factored based on the most recent census and the actual percent of poverty among low-income persons within each county/jurisdiction in **Maryland**. Once the amounts are determined, the state awards up to 93 percent of its grant to the eligible entities. The state, in conjunction with the eligible entities, sets a base amount that each CAA needs to ensure basic operations. That base is set currently at \$150,000.

The state of **New Jersey** takes its five percent administrative allotment and five percent discretionary out of the mix. Then, with the 90 percent left, New Jersey holds each of their 23 CAAs and four LPAs harmless at 90 percent of their prior year's allocation. New Jersey takes the remaining 10 percent of the CAA’s previous year's funding level plus any additional funding New Jersey receives over the prior year level and divides it into three pots (25 percent, 25 percent and 50 percent). The 50 percent pot is allocated on the basis of 124 percent poverty population according to the most recent decennial census. One of the 25 percent pots is allocated on the basis of agency leveraging success (using data from the most recent CSBG/IS to determine which agen-

cies are most effective at leveraging other public and private funds). Finally, the last 25 percent is allocated on the basis of agency performance, based on a form filled out by each agency's state program monitor.

West Virginia's base funding is based on low-income individuals based on the latest U.S. Census data per funding area. All agencies receive some share of all increases. Priority was given to those agencies below the state per capita average, in the attempt to even out the distribution of funding. If increases could not achieve this during one increase cycle, the following was implemented. Two percent of any new and additional funding is directed toward those having a per capita average higher than the state average, with the remaining 98 percent of the increase directed toward those agencies remaining below the state average. The difference in per capita average decreases, therefore, during years of funding increase. This system ensured that no agency would receive a decrease in funding. Each agency would receive some share of the increase, but CSBG funding would be more equally distributed, so that the per capita average in one area of the state was not out of balance with other areas of the state.

In **Virginia's** case all increased funds are allocated based on a formula of 75 percent low-income in the service area, 20 percent based on the number of localities in the service area, and 5 percent based on the number of square miles in the service area. This is then adjusted to ensure that no agency gets less than 1.5 percent of any increase.

OTHER

Two of the 52 states distribute CSBG funds using a method which does not fit into any of the categories described above. These states are **Michigan** and **Ohio**. In **Michigan's** case, each CAA receives a base allocation of \$25,000. The remaining funds are then distributed as follows: 84 percent is distributed based on each CAA's relative share of the number of persons with income below 125 percent of the poverty level; 10 percent is distributed based on each CAA's relative share of the excess number of persons with income below 125 percent of the poverty level (Excess poverty is defined as the number of persons with income below 125 percent of the poverty level in excess of the statewide average of 16.9 percent.); and, six percent is based on each CAA's relative share of the extreme poverty level (Extreme poverty is defined as the number of persons with income below 125 percent of the poverty level in excess of 25 percent.).

In **Ohio**, ninety percent of the FY 1983 allocation serves as each grantee's funding base. The total of these bases for all grantees are subtracted from the total pass-through monies, less the set aside for the T&TA grant program, and the remainder is allocated to each grantee based on its percentage of the state's total poverty population at the 125 percent poverty level based on the 1990 U.S. Census.

CONCLUSION

Although the Coats Human Services Reauthorization Act of 1998 requires that 90 percent of the CSBG is to be distributed directly to the eligible entities, how it is distributed epitomizes the state flexibility inherent to a block grant. Each state CSBG lead agency is able to craft a "formula" which allows the unique characteristics and needs of the states' local communities to be accommodated. This authority is essential to making the most efficient and effective use of the block grant funds. Whether the state funding formula is state legislated or not, the history and process which devised it is rich and purposeful.