



2020

Funding Formulas

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Why are we talking about Funding Formulas?

- Several states are in the process of revising their formulas for various reasons, including:
 - Upcoming Census
 - Changing needs and demographics of their communities
- Given this interest, we want to provide some information on the process of updating funding formulas



An important note...



- **You are NOT required to change your funding formula**

- State rules may require regular review, but that does not mandate a change in the formula
- We will discuss times where you may have to change your formula, such as when you add an new eligible entity

The background of the slide is a dense, overlapping field of 3D-rendered numbers and mathematical symbols in various shades of blue and white. A large, white, diamond-shaped graphic is centered on the left side, containing the text. In the bottom right corner, there are several overlapping geometric shapes, including a yellow diamond and a blue square.

It's More than Math



Orientation to Funding Formulas

CSBG Act Funding Formula Requirements

- “SEC. 675C. USES OF FUNDS.
 - “(a) GRANTS TO ELIGIBLE ENTITIES AND OTHER ORGANIZATIONS.—
 - “(1) IN GENERAL.—Not less than 90 percent of the funds made available to a State under section 675A or 675B shall be used by the State to make grants for the purposes described in section 672 to eligible entities.”

CSBG Act Funding Formula Requirements

- *Sect. 676(b)(8):*
 - “an assurance that any eligible entity in the State that received funding in the previous fiscal year through a community services block grant made under this subtitle will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction, subject to review by the Secretary as provided in section 678C(b);

CSBG Act Funding Formula Requirements

- *Sect. 676(c):*
 - “FUNDING TERMINATION OR REDUCTIONS.—For purposes of making a determination in accordance with subsection (b)(8) with respect to—
 - “(1) a funding reduction, the term ‘cause’ includes—
 - “(A) a statewide redistribution of funds provided through a community services block grant under this subtitle to respond to—
 - “(i) the results of the most recently available census or other appropriate data;
 - “(ii) the designation of a new eligible entity; or
 - “(iii) severe economic dislocation; or
 - “(B) the failure of an eligible entity to comply with the terms of an agreement or a State plan, or to meet a State requirement, as described in section 678C(a); and

Don't forget about your
State Rules!



- State Regulations or Statutes may outline the requirements for your state formula.

What Kinds of Formulas can States Use?

Historic: Allocation based on the amount the entity received prior to the creation of CSBG in 1981.

Base + Formula: Provides a “floor” or minimum funding level to all entities, then allocates remaining funds based on a formula.

Formula Alone: Funds are allocated solely based on a formula that accounts for factors or characteristics of the entity’s service area, such as poverty, unemployment, land mass, etc.

What Kinds of Formulas can States Use?

Formula with variables: Allocation based on a formula plus variable funding that is awarded based on other factors determined by the state, such as performance or application quality.

Hold-harmless + Formula: Uses hold harmless and a formula; usually used when a state is transitioning from a hold harmless to a formula allocation method.

Virginia's Funding Formula

- Criteria are set in Code
 - # of low-income persons in service area, localities in the service area, square miles contained in the service area
 - No less than 1.5% of total funds to any agency



Virginia's Funding Formula

Pros

- Very infrequently change, very stable (planning)
- Primarily focuses on poverty in an area (75% of weight)
- Creates incentive for serving unserved area

Cons

- The 1.5% requirement makes single-county providers “out of skew”
- Creates almost more of a monetary incentive for serving unserved area over need
- Not very fresh, updated data

Utah's Funding Formula

- Base + Formula: (Utah changed its formula for FY14)
 - \$50,000 base (included with first allocation) and percentage of remainder.
 - Percentage = agency jurisdiction's % of states population living at or below 125% of poverty (ACS S1701—2007-2011 report)

Utah's Funding Formula

- Considerations.....

- Pros:

- CAAs with smaller allocations able to keep the lights on
- Ensured continuation of services in rural areas
- CAAs with smaller allocations get the bulk of their funding up front
- Frozen in time.....easy planning & budgeting

- Cons:

- Strained network—fight over allocation—same pie
- Frozen in time.....not reflecting current demographic distribution



Maryland's Funding Formula

- **Background of Current Formula**

- CSBG Formula was last revised in 2014
- Formula had not been revised in 20 years!
- Major population shifts led to significant changes



Maryland's Funding Formula

- Initially, all agencies received 35% of their 2013 allocation
- The balance of funds were allocated through three factors (components):
 - Poverty
 - Unemployed
 - Rural Factor

[illegible]

Maryland's Funding Formula

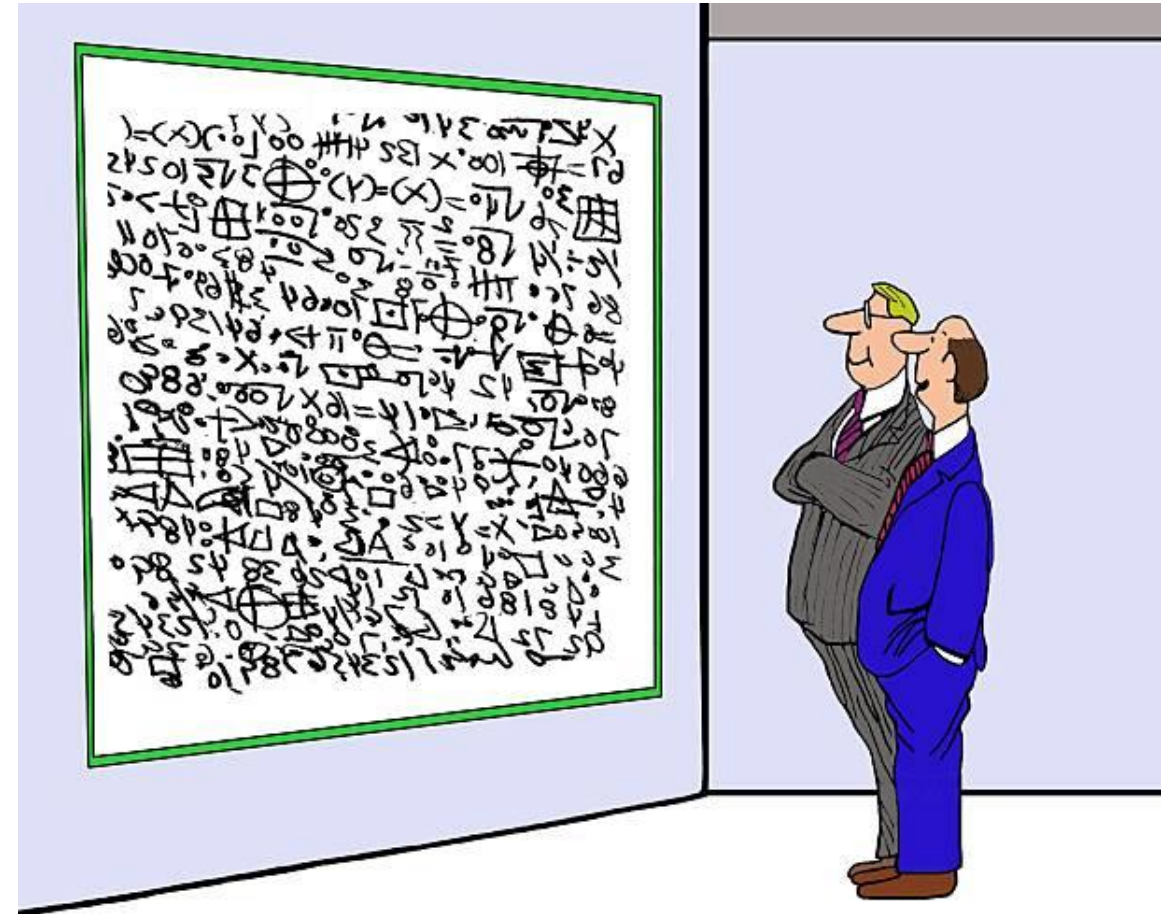
- After that initial run a 30% ceiling and floor were instituted to prevent agencies from disproportionately gaining or losing funds
- Remaining funds were redistributed to agencies that lost funding

Column 11	Column 12	Column 13	Column14	Column 15
Base Projection	2013 Award	% Change	30% Cap	Projected New Award

Maryland's Funding Formula

Challenges

- Formula was very complex and difficult to explain
- 30% cap caused issues when increases in CSBG Appropriations resulted in some agencies hitting that cap
- Did I mention it's incredibly complicated?
- Created significant strife between rural and urban/suburban CAP agencies



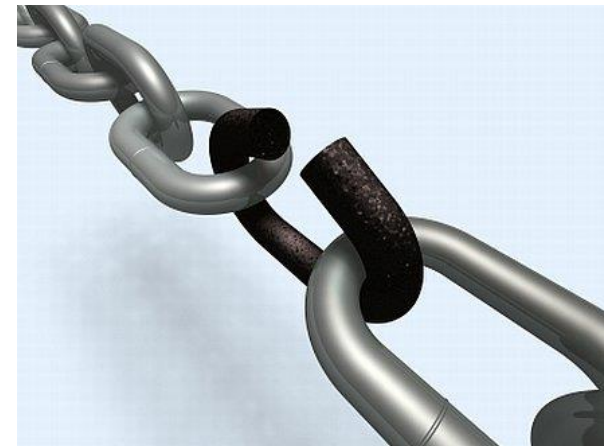
“When you put it like that, it makes complete sense.”



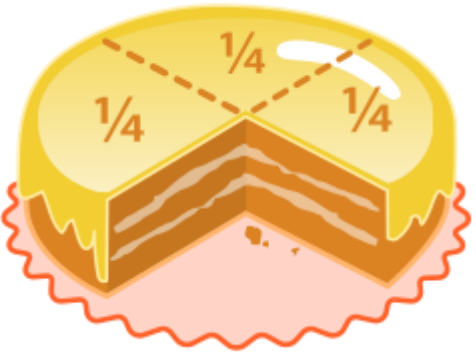
So you want to change your
formula...

Cause for Changes of Proportional Share (IM 116)

- Statewide Redistribution of Funds
 - We need to change the funding formula because something requires it!
 - A part of the formula is updated, one of the criteria changes
 - Anyone using decennial census as part of your funding formula, you're getting ready to change the data used in your formula, which constitutes CAUSE, per the Act
- Agency Weakness/Deficiency
 - State Office determining the need for this
 - You would need to have documentation the same as you would need for a de-designation



Proportional Funding Change Considerations



- Agency funding changes because of a change to the funding formula
 - Not fluctuations because of the amount the State receives
 - Structural, permanent changes
 - Just because another source of funds may be replacing the funds, the change in CSBG funds still requires notification/process



LESSONS LEARNED

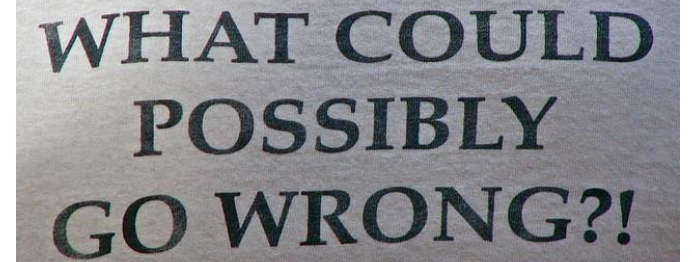
- Early communication about what is being considered and why
 - Include OCS in communication and advice for documentation
 - Make the information as clear and straight-forward as possible
 - Lesson learned, trying to give too much information to “soften” impact is not good

Requirements and Concerns

- Hearing is required for any proportional funding change (individual or network)
 - “The CSBG Act does not include any State or Federal authority to waive the requirement of an opportunity for a hearing”. IM 116
 - Can be in conjunction with legislative hearing
 - Time for consideration, etc.
 - How to handle this is to COMMUNICATE!
- There are required elements for/to OCS as well
 - A copy of the notice for the hearing
 - Documentation on who was there and what was said
 - Details on the CSBG State Office process used in making determinations



Concerns



WHAT COULD
POSSIBLY
GO WRONG?!

- Possible areas of concern
 - Agency doesn't pay attention to process until the end and then is upset
 - Don't follow the notification and hearing process explicitly
 - Agencies don't understand proportional funding reductions as opposed to fluctuations in allocation amounts
 - Making mistakes in the math/process for determining a new funding formula. Several sets of eyes and minds.

Dos and Don'ts



DO: Review the formula at least every 10 years, if not more often



DON'T: Wait 20 years to dust it off and take a look



DO: Provide clear and transparent communication to CAP Agencies



DON'T: Disregard the input without letting them know.



DO: Involve the State Association



DON'T: Create a scenario where rural and urban/suburban CAPs are at odds with each other

Our 2020 Process

Requested that the State Association identify two representatives from rural; two from Suburban; and one from Urban (Baltimore)

Formed a workgroup for CAPs to provide input on the process

Plan to meet every other month to review the formula, look at different scenarios, and receive input on most equitable way to update the formula

Because the Public Caps in particular submit budgets early, will likely need to implement new formula in 2022.

Challenges—Expected & Unexpected

- *Change the formula= change the allocation \$\$\$\$\$*
 - *May be needed/overdue*
 - *Demographics of poverty shift*
 - *Zero sum---anticipate challenge from agencies with reduced funding*
 - *CAAs will challenge if not clearly rooted in one of the specified causes for adjusting allocation identified in the CSBG Act 676 (c) and IM 116 and if procedure not followed:*

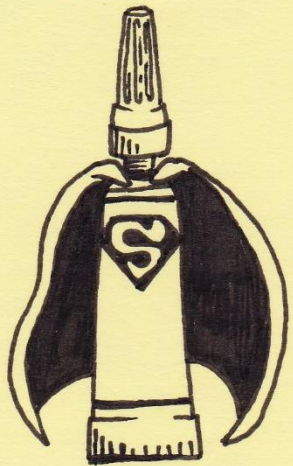
*(IM 116) "...States must assure that any eligible entity in the State that received funding in the previous fiscal year through a Community Services Block Grant will not have its funding terminated, or reduced to below the proportional share the entity received in the previous fiscal year, unless, after providing **notice and opportunity for a hearing on the record**, the State determines that cause exists for such termination or reduction. The CSBG Act also specifies that a **State's determination is subject to Federal review by the Department of Health and Human Services.**" (emphasis added)*



Keeping the Network Together

○ *Network challenge:*

- Access to services in remote areas may be understood as a challenge to funding for areas with higher population density---advance discussions are important (*hindsight 20/20*)



NOW IT'S SUPER GLUE.

- Is current data a problem for any geography (...NE Utah tied to boom/bust cycle of oil)
 - Data doesn't reflect current reality
 - Think proactively—how to address/what data to use
- Shifting allocations necessarily means winners and losers
 - *Utah challenge—it was tough*
 - *Share spreadsheet---considered different variables and scenarios*
- Consider proactive ways to support network for this discussion:
 - Including review/update of formula in policy/plan conditions the network that update is expected
 - (State Association/State) Discussion of results of Needs Assessments—what see as new or unexpected

Preparation is Key

- Documentation
 - If no guidance on where to draw stats for formula:
 - Input from needs assessment
 - Data from Census/ American Community Survey (ACS)—statistical arm of Census
 - Other (unemployment, SNAP participation, other public assistance rates, intergenerational poverty rates....)
 - Study---does the updated data suggest there will be a significant shift in allocation....
 - Document meetings with network
 - Transparency—advance discussions of consideration of change (if review/update not required)
 - Input on data sets to be used
 - Document all steps:
 - Notice of Hearing
 - Public Hearing
 - OCS—consultations—as well as any review of determination
 - IM 116—details the steps needed



Suggestions:



Clarity on updates beneficial:

- Could be specified in policy or plan
- Avoid surprise
- Sets expectation
- Provides another reason for CAAs to know and embrace their data
- Establishes clear understanding of what data will be used
- Creates space for input on strengths/weaknesses of data
- Creates transparent process: supports network connectivity and relationship with state office and state association



Questions?