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**Statement before the House and Senate Local Government Committees**

Good morning Chairwoman Harper, Chairman Eichelberger, Chairman Freeman, Chairmen Teplitz and all Members of the House and Senate Local Government Committees. My name is Champ Holman and I serve as Deputy Secretary for Community Affairs and Development with the Department of Community and Economic Development (DCED). I would like to thank you for this opportunity to discuss how the federal Community Services Block Grant (CSBG) plays a meaningful role in assisting the neediest and most vulnerable in Pennsylvania. DCED is a proud partner with the Community Action Agency (CAA) network, which serves as the distribution network for CSBG funds.

I would like to use this opportunity to familiarize the General Assembly on how DCED administers this important program. My overview will include how funds are distributed and how our incredible network of 42 local agencies, covering all 67 counties, provides a comprehensive delivery system of programs and services, leveraging the CSBG with other federal, state and private funds. As much or more than any program that the commonwealth administers, the CSBG program addresses real needs and helps families lead better lives.

According to the US Census Bureau in 2010, 13.4 percent of Pennsylvania's population lives at or below the poverty level, the national poverty rate is 15.1 percent. In Philadelphia County alone, 25.1 percent of the residents live in poverty. These figures rank Pennsylvania as 33rd in the nation for those living in poverty, leaving only 17 states having a higher rate of poverty.

The purpose of CSBG through the Health and Human Services Department of the federal government is to provide services and activities to address the root causes of poverty in communities or in those neighborhoods where poverty is a particularly acute

problem.

In addition, Pennsylvania through its own state plan emphasizes a better focus of human and financial resources with the objective of eliminating poverty by encouraging an efficient and financial resource coordination of existing programs that are intended to address the challenges of those in poverty. While the goal of the program is to work towards reducing and eliminating poverty, it also recognizes that the cause of poverty has many contributing factors, such as a lack of education or lack of job opportunity. CSBG funding is one of our best tools for helping those in the greatest need in our communities because it not only helps to eliminate the causes of poverty, but it also provides a "safety net" of services and programs to help those in need.

DCED develops both a state plan and a formula to administer the CSBG funds. A state plan for CSBG funds is developed every two years. After full citizen participation and public comment, this plan sets forth the priorities for funding under this program, identifying problems to be addressed and prescribing tailored distribution of funds to address those problems. The proposed state plan is posted on our website at [newPA.com](http://newPA.com).

The statewide distribution of funds as prescribed by the state plan for the CSBG program -- is as follows: No less than 90 percent of the CSBG funds are distributed to 44 eligible entities; five percent is used as discretionary funds for which there is a separate, competitive cycle; five percent is used for administration by the commonwealth.

To reinforce Pennsylvania's commitment to federal goals, the focus of CSBG funds as delineated in the state plan will continue to be on the following priority areas: provision of supportive services in coordination with the provision of housing; employment-related services; job training and related activities tailored to the specific needs of individual communities with a particular emphasis on coordination with DCED's efforts in the geographic area to create or

preserve job opportunities; coordination of CSBG funded activities with other economic growth and employment opportunities; job creation, including micro-enterprise development and entrepreneurship training; health issues of children, which is a key national objective, with an emphasis on childhood obesity, immunizations, and nutrition education and non-acquisition, non-rehabilitation costs related to housing and economic and development projects.

Each year, in order to receive their share of CSBG funding, all CAAs must submit a work plan, which outlines their intended use of CSBG funds for that year. All work plans are reviewed to ensure that the proposed use of the funds addresses actual needs as identified in their local needs assessments; that the local agencies present efforts to leverage and coordinate CSBG funds with other resources, including resources and initiatives of other service providers and local agencies; and finally, that the proposed investments demonstrate sustainability and deliver measurable outcomes. There is encouragement for partnerships among CAAs and other organizations to help raise more funds for these types of projects. One example of this is the use of tax credit programs to encourage public/private partnerships and private investment into communities.

Allocations are distributed to the agencies according to a formula developed by the state. The current formula is comprised of two factors: the number of persons with incomes below 125 percent of the poverty level in each service area, and the number of unemployed persons in that service delivery area.

I would like to emphasize that the formula is determined by the commonwealth because the formula of allocation can be changed as the needs of Pennsylvanians change. We do recognize that other factors, such as high school graduation versus dropout rate, prevalence of blight, and teenage pregnancy rate, weigh heavily on the social service needs of a

community. DCED believes that the formula for allocation of resources and the factors to be included in that consideration should be reexamined periodically. This hearing offers an opportunity to open that dialogue. As we pursue the goals of our next state plan in 2014, we will re-examine the issue of the allocation formula. Of course, at that time, DCED will invite the CAAs, as well as other community stakeholders, to be a part of the re-examination exercise and strategy development.

Now that I've covered the technical, historical information about CSBG, I would like to tell you about how the funds have been used at the "grassroots" level. I know that many of you are familiar with the CAAs in your area. While many of them work below the radar screen, they are doing great work in your communities that deserves recognition. During my time here at DCED, I have had the opportunity and privilege to get out into these communities and see firsthand the benefits of the hard work that these community leaders put into bettering their communities.

Community Action Agencies provide the services and programs in 14 categories, which cover initiatives such as; housing and shelter, senior services, family development, employment and/job training, advocacy, and health. Under these categories, there are an estimated 88 different services and programs available to our communities. In most cases, the community action agency in area particular region is the only agency providing these much needed services. Some examples include; Head Start, child daycare, micro-enterprise development, emergency food and shelter providers, budget counseling, food banks and food pantries, and transportation. Our office has a matrix provided by the Community Action Association of Pennsylvania, which lists all of the agencies and the services they provide. If you are interested in obtaining a copy, please let me know.

In 2013, Pennsylvania's federal allotment was \$28,500,000. With those funds, the CAAs leveraged, approximately, \$419,044,280 to assist 656,058 low-income constituents. More than 5,260 unemployed, low-income persons obtained a job; 1,427 persons obtained an increase in employment income. Additionally, more than 9,100 persons obtained pre-employment skills and competencies required for employment and received training program certificates; 7,545 organizations worked in partnership with the CAAs to promote family and community outcomes, of which 857 were faith-based organizations.

I would like to share a few examples of how diverse the CAAs are and some stories of how they are successfully assisting their communities. In some cases, the CAAs have become not just service providers, but community and economic development engines for their respective communities.

The CSBG program has been instrumental in enabling CAAs to develop capacity to address vital community needs and attract resources to revitalize our local neighborhoods. In turn, this revitalization has made our communities more conducive to economic growth and community investment.

For example, Schuylkill Community Action (SCA), in partnership with the Borough of Girardville, Schuylkill County, and the Schuylkill County Redevelopment Authority, embarked on a community development strategy to eliminate blight and provide affordable housing opportunities for lower-income families in the Borough of Girardville. Since inception of the community development strategy six years ago, SCA and its partners have acquired seven vacant, blighted structures in the Borough; razed seven commercial buildings; constructed five single-family "for sale" homes and three townhouse rental units. These fully occupied units have increased the tax base of the borough and have encouraged others within

the borough to invest in home improvements, further revitalizing what was once a deteriorating community.

The next phase being planned with the borough and several community partners is to develop four to six additional rental units where a fire had destroyed almost an entire block of the community. This type of effort could not be possible, particularly in the smaller boroughs and townships, without community based organizations such as SCA who provide the capacity to spearhead the planning of such projects. The SCA brings together community partners and secures the necessary financial means to finish these revitalization projects through the flexibility of CSBG funding.

The most recent development activity in the Borough of Girardville was supported by DCED through the federal Neighborhood Stabilization Program (NSP) and the state-funded Housing and Redevelopment Assistance (HRA) programs. Three commercial structures were acquired and demolished clearing the way for new construction development of two single-family homes and three rental housing units. Approximately one million dollars of public funding made available by DCED was invested in this phase of the borough's community development strategy.

Many benefits have been realized from this community development and revitalization initiative. This program has eliminated blight through the acquisition and demolition of seven vacant and severely deteriorated commercial buildings and the in-fill development of five affordable single-family homeownership and three single-family rental units. Through the new construction development, the supply of rental and homeownership opportunities for lower-income families has been expanded in the form of affordable rents and reasonable sales prices. Local contractors, vendors, and supply houses have benefitted from the

economic impact of the demolition and new construction projects. An economic impact will be realized from a much increased tax base benefitting the local taxing bodies including the school district, county, and municipality. In addition, the newly constructed, energy efficient housing units will provide many years of reduced utility costs and energy usage.

Across the state in Westmoreland County, Westmoreland Community Action's (WCA) strategic plan was to expand their reach in the county and beyond to find a way to be more self-sufficient as an agency. Starting a social enterprise seemed like the perfect solution. A social enterprise applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximizing profits for external shareholders. This, of course, falls perfectly in line with WCA's mission and strategic plan.

When trying to decide what type of social enterprise to initiate, they looked at what they do best and determined that it's community and economic development. The idea of an eco-friendly building material re-use enterprise was inspired. WCA realized they were razing old houses and sending everything to the landfill, while they could be salvaging material that could be used again. Thus the idea of Shop Demo Depot was born.

WCA, in conjunction with Fayette County Community Action Agency and Community Action Southwest, created an eco-friendly reuse social enterprise called Shop Demo Depot. Shop Demo Depot was created to help reduce waste of resources through the re-use of building materials. It will divert nearly 100 tons of building materials from local landfills each year, to use these waste materials in productive and commercially viable ways, and to create and sustain an organization that provides green jobs for low-income individuals in an economically distressed area. At the heart of this effort is a unique building deconstruction and materials reuse business that recovers and recycles building materials, and sells them at

affordable prices through a retail store.

With the assistance of several local foundations, WCA purchased a permanent location for Shop Demo Depot. Shop Demo Depot's retail store is now located in Mount Pleasant at the former Cook's Lumber. The Mount Pleasant location is a true retail location that is on a major route traveled by 26,000 vehicles daily. This location is far superior to the original temporary Smithton location in that regard and has the added benefit of being a former lumber store that has strong community recognition. The purchasing of this vacant building complex will breathe new life into Mount Pleasant.

Shop Demo Depot employs low-income individuals, but in particular focuses on single women with children. More than 50 percent of single, female heads of households in Mount Pleasant with children below 18 years of age are living in poverty. By providing employment opportunity for this demographic, the program will remove long-term unemployed from unemployment rolls and help these individuals transition to a better quality of life.

Initial funding for Shop Demo Depot came through the auspices of CSBG which was used for research, development, planning and salaries. Since then, funding has been obtained from several local banks through tax credit programs, foundations, DCED, and others. Most recently, Shop Demo Depot received a \$500,000, three-year Community Economic Development grant from the Department of Health and Human Services. With these funds, Shop Demo Depot will create 27 full-time positions for low-income individuals, thus expanding their retail operation as well as the deconstruction side of their business. Shop Demo Depot is designed to be self-sufficient within four years of operation and will produce measurable mission-specific outcomes from its inception.



In summary, CSBG is a funding source that helps create capacity at the local level through Community Action Agencies, to address the critical problem of poverty. These agencies receive CSBG funding as the foundation for the wide variety of services and the improvements they provide. This funding source also enables them to leverage other federal, state and local funding sources, which enables these agencies to respond with multi-faceted approaches to promote community revitalization across the commonwealth.

Serving as Deputy Secretary for Community Affairs and Development, I can attest to seeing first-hand, the affects and the impacts the Community Services Block Grant funds have on those in need. I believe the success in any community can be gauged on a variety of factors, but certainly, one of them is, how we treat our most vulnerable. I believe the Community Services Block Grant, in coordination with the Community Action Agencies, does just that. It strengthens our communities and sets them and the members of those communities up for success.. Thank you. I am happy to take your questions at this time.