

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

STRATEGIC PLANNING & BUDGETING COMMITTEE

8:30 a.m.
Thursday
January 17, 2013

Room 3.102
Thompson Conference Center
2405 East Campus Drive
Austin, Texas

COMMITTEE MEMBERS PRESENT:

TOM GANN, Chair
J. PAUL OXER
JUAN MUÑOZ

STAFF PRESENT:

TIMOTHY K. IRVINE, Executive Director
BARBARA DEAN, General Counsel

AGENDA

ITEM	PAGE
CALL TO ORDER, ROLL CALL, CERTIFICATION OF QUORUM	3
PUBLIC COMMENT (no commenters)	
REPORT ITEMS	
1. Presentation, Discussion and Possible Action on the Strategic Planning & Budgeting Committee Minutes of June 13, 2012	3
2. Presentation, Discussion and Possible Action on Plans to Revise the Formula used to Allocate Community Services Block Grant non-discretionary funds beginning in Program Year 2014	4
3. Presentation, Discussion, and Possible Action on the use of Program Year 2013 CSBG Discretionary Funds	33
4. Presentation, Discussion, and Possible Action on Uses of Neighborhood Stabilization Program-1 Program	60
5. Presentation, Discussion, and Possible Action on Proposed Salary Compensation Plan	65
PUBLIC COMMENT (No commenters)	73
EXECUTIVE SESSION (None)	
ADJOURN	74

P R O C E E D I N G S

MR. GANN: I's five after 10:00, and we'll call this meeting of the Strategic Planning and Budgeting Committee to order. We're meeting in the Thompson Conference Center in Austin, Texas.

We need to certify a quorum, and I'm the chair, Tom Gann, and I'm present.

Dr. Muñoz will be here in about 15 minutes, I understand.

Chairman Oxer?

MR. OXER: Here.

MR. GANN: Two out of the three hear, that's a quorum.

We have four report items, and I see some new faces out there, so I'll tell the procedure, if you're not aware of it. We have comment after each item and comments after the staff has made their presentation and after a motion has been made. If you'd like to speak to an item, we'd ask you to sit up here at this front row, and I'd ask you to sit in this first chair if you want to speak first, and go this direction. So we use that as our indicator whether you're going to speak or not, and you can walk up there if you want to speak on the first item, and when the second item comes up, then come forward please.

The first item is the minutes of the June 13 meeting. Do I hear any additions or corrections?

(No response.)

MR. GANN: I'll take a motion to approve.

MR. OXER: So moved.

MR. GANN: Second. It's unanimous, the minutes are approved.

Item number 2, Brooke Boston.

MS. BOSTON: I think Tim and Michael are going to present this.

MR. IRVINE: Well, first of all, as Michael comes up, I'd like to give a couple of prefatory remarks.

Change really lights up some people, change really scares away more people, and I want to say that as staff is rolling out ideas for change, I think it's very important to take it carefully and deliberately and don't assume ever that staff has got all of the ideas or even necessarily the best ideas, this is simply a desire to get dialogue started.

At the end of the day, you all may conclude, we may recommend, it remains to be seen, that we stay with the status quo. That's always a possibility.

But when we look at the mounting pressure on federal funding sources and state funding sources, and when we look at the statewide challenge of meeting the maximum

number of needs, serving the maximum number of the residents of Texas, we think that there's some ideas that are worth at least exploring. And we have focused this morning in our agenda predominantly on CSBG, and Michael DeYoung, as the person that runs Community Affairs and administers CSBG, will present it.

MR. DeYOUNG: Michael DeYoung, Community Affairs Division director.

The item that you see before you is first talking about the formula allocation.

MR. GANN: Michael, we need to see if they can hear at the back. Can you hear at the back through that speaker? They can't hear at the back, so yes, move. Thank you.

MR. DeYOUNG: Is that better?

MR. GANN: That's okay.

MR. DeYOUNG: The item before the Strategic Planning and Budgeting Committee revolves around the CSBG formula that we've used. Let me start with just kind of an overview from the federal level and then talk about what we've done here in the State of Texas for the past few years.

The CSBG grant is an annual grant is an annual grant, it's based on a formula that's run for each state. We get an allocation, roughly right now it's around \$31 million

a year. Ninety percent of the funds are set aside for activities with community action agencies, and that's a grant to those agencies to administer a broad range of low income programs in their service area. Additionally, then there's 5 percent for state administration, and that's a cap, and then the last part is a 5 percent discretionary award that can be administered throughout the whole State of Texas at the discretion of the state.

So at the State of Texas we take the 90 percent and we run it through a formula, and the formula has been fairly static throughout the years. The formula that Texas runs, there's a couple of factors that go into it, and it's going to be somewhat complex and we have a board that I may do some John Madden type drawings for you if you desire them.

The first thing that happens is we fund each agency with a \$50,000 base. That base goes to all community action agencies, it comes out of that 90 percent right off the top.

So that allocates about \$2 million plus equally. Then we run a formula, and the formula is 98 percent poverty population and 2 percent what's called inverse population density ratio, so what we try and do is look at what are the areas that have fairly sparse population that may need additional dollars to fund their services and to deliver services to low income people.

At that point we look at any agency that's below \$150,000, and in this case this year it's about five agencies and possibly six agencies and we bring them up to the \$150,000 range. So now you have every agency in the State of Texas receiving \$150,000. At that point we then again run the formula, taking out that \$2 million that started with the \$50,000 base and all the funds needed to get everyone to \$150-, and we run the formula and we allocate dollars to all the agencies that way.

So what you end up with is a scenario where you have six or seven agencies at \$150,000 minimum funding level, and then the rest of the agencies getting a proportionate share of the balance of the funds.

To talk a little bit about the poverty statistics, the breakdown of the 98 and 2 percent, that's been a historical figure that we've used for years, historical breakdown. In my ten years in Community Affairs, or nine years in Community Affairs, I don't think that has changed at all. The 2 percent inverse population density ratio, again, that hasn't changed, that is run on census data as well as the poverty data, so those figures are updated periodically, but the way the state administers has not changed.

We declare how we're going to run this formula in two places: in the Texas Administrative Code, as well

as in our CSBG plan, it's a two-year plan. Our desire is that we have a discussion about how that formula works and the way we distribute funds in the past, is that the most effective way to distribute funds, is there a better way or a more effective way that we can gain more impact. I think the focus of this discussion for this agenda item, as well as the next one, is: what creates the most impact of the dollars here in the State of Texas on behalf of the low income clients that we serve.

We are proposing that we consider a change to that rule. I think the process from here forward would get some language for a proposed rule, take some public comment, and come back sometime during the summer with a full public hearing on a new rule, if that is the desire of the Board.

I think that's kind of my overview right now. If you have questions, I'd love to answer them and try and address your individual concerns or thoughts right now, or kick it back to Tim.

MR. IRVINE: Well, I think we need to take it one layer deeper so that you'll understand what the really controversial issue is here. If we don't have floors for smaller agencies that are subject to the effects of the \$50,000 minimum and the inverse population density piece of the formula, then what you're facing is the prospect of several

of the smaller agencies having even less money on which to operate. And one of the things that is key to me is: well, what are those agencies actually doing, are they taking the money that's been provided to them and are they using it to leverage other programs? In which case I think you can make a pretty solid argument that the floor and the protected minimum amount has a very real purpose that it serves.

If, however, what's occurring at an agency is that it's disproportionately simply using its funding to pay administration and it isn't able to access funds from other sources and isn't, therefore, able to provide assistance at the local levels in a meaningful way, then the formula protections become a little perverse. So I think you really need to look at what's the real impact in the areas that would potentially receive less funding.

The other couple of important factors to me, when you get into how you administer these programs, this isn't a world where people just go online and say I need help for X, Y or Z, this is a person-to-person type of activity that occurs at a very local level, and I think that the importance of what I call doors, local presence, that is so critical to the way that these programs are administered, that there be local presence, doors, people who can serve in their community face-to-face.

And I'm just wonky enough about process that what occurs to me is that in these very small agencies that do not have significant administrative funding, they're already taking on some risks. If you do not have some fairly significant administrative funding, it's pretty darn hard to run a well structured program, supported by good information technology and all those other things in a manner that is going to survive state and federal audits. And if you're looking at reducing funding sources in addition to that, you've really got to think proactively how you're going to address it.

One of the things that I think we encourage, and I know that there has been discussion within the network of providers about these possibilities, is more strategic alliances. You may be great as a local presence, as an outreach force, an intake force, whatever, but you might not necessarily have the robust funding and other attributes to be good at monitoring, auditing, financial record keeping, data processing, all of those kinds of things. There are a lot of ways that you can acquire those things through agreements with more robust nearby providers, partnerships, those kinds of alliances. In some areas of the state we've actually seen some pretty significant mergers.

So there are tools that are available, but those

are tools that they've got their pros and their cons and they're not tools where I think it's appropriate for the state to be saying you need to do this, that or the other. What is appropriate is for people to be focusing on those issues and coming up with a solution that works for them.

MR. GANN: Just for the record, I'd like to note that Dr. Muñoz is here.

MR. DeYOUNG: And if I could tag along to Tim's comment, we understand the significance of a recommendation like this, and one of the things we're wanting to do is have time for an open process to have feedback, to talk about it first with you as a committee of the Board, and then to open the process up, take comment, and really flesh this out, because this is a significant change. It would have real effect on some subrecipient agencies, primarily five or six who are benefitting from the \$150,000 minimum figure disproportionately.

What occurs is that most agencies, 30 or 35 agencies, contribute a small portion into a pool to bring these smaller agencies all the way up to that \$150,000 floor, and by eliminating that \$50,000 base and \$150,000 floor, the money would then be driven by those two other factors, the 98 percent poverty and 2 percent inverse population density. So we would not make this effective until Program Year 2014

which would begin January 1 of 2014. We're starting 350 days of a process to try and see if this is something that is, in fact, a position the Board wants to support.

MR. OXER: Mr. Chairman, I have a question.

MR. GANN: Go ahead.

MR. OXER: Michael, out of the total amount that's spent in these program, rather than putting this floor in it, you're essentially taking away the minimum -- it would be a take or pay contract is essentially what it would be for those services. But under this program, the current structure, what percentage of all the money that we manage going through this goes to programs for the people that we're intending to serve versus what percentage would go to that under the new structure? Do you have a sense of that? You're taking the \$31 million, is it 80 percent of it, 85 percent of it goes to programs now, and so we wind up with an extra 5 or 6 or 7 percent, which could be an important distinction in the amount of money that's available some places out there.

MR. DeYOUNG: That's a difficult question to answer. Each agency utilizes these funds differently.

MR. OXER: I think you already answered the easy ones.

MR. DeYOUNG: Well, I'm all about the easy answers.

Depending on the agency. We have some agencies, some of the smaller agencies, this may be their only significant source of administrative funds. They may administer only our CEAP grant and a small transportation program. If they receive \$150,000, most of that is probably going to end up as a staff expenditure for administration.

We have other agencies that the CSBG allocation is less than 2 percent of their overall annual budget. Now, that's the extreme, but it is very difficult to draw one simple figure and say this is what it means dollar-wise in clients receiving services.

What we do know from monitoring for all the years, the larger the agency, there tends to be more dollars expended either on direct services or client assistance with the CSBG dollars, but even that is really difficult to draw conclusions from, depending on which programs they administer. There are programs that they administer that they have significant sources of admin for. Head Start is a very admin rich program.

If they don't have Head Start but they run housing preservation grants and other small grants that don't have a lot of administration, the CSBG dollars are allowed to come in and supplement that work, administrative costs, so that they can deliver services throughout their service area. So the CSBG grant is unlike any other grant that TDHCA

administers.

MR. OXER: Potentially an enabling grant for the efficient use of the rest of them in certain cases.

MR. DeYOUNG: Absolutely. And it steps in, in one given year -- and I'm going to draw a generic agency -- they may administer 30 programs, it helps with 25 of them, the next year they may only get 20 grants and it will help during that year and they'll use these dollars to move around to make their agency as effective as possible at the local level.

MR. OXER: Hard to figure.

MR. DeYOUNG: It is. This is a difficult equation because no two agencies are exactly alike, they all administer different levels of funding with different mixes of grants.

Some administer 25 and 30 different grants. So the impact is very hard for me to sit down and say this is what happens if you make this change.

MR. OXER: One of the obligations that TDHCA and the staff and the Board, as a consequence of all that, for management, we have an obligation, and particularly in the current economic environment, to be as efficient with the money that we have as is possible, to the point that we have to keep trying things to see if they're more efficient. Sometimes we're going to try some, it's not going to work,

we're going to unwind that, we'll try something different, like Tim said.

But to that end, also to echo what Tim said, part of this is to make those other grants work, keep the doors open. So we're going to have to explore this, it sounds like, without knowing exactly where the final -- this is not figuring how to get to go exactly where we want to go. To know that, we're going to have to figure out where it is we want to go, and we're going to try some weird paths along here, I expect.

MR. DeYOUNG: Yes. And I appreciate that this is a very delicate subject. There's a lot of moving parts in this as we make decisions. You know, as Tim has mentioned, there are many iterations of solutions to this. Some agencies may look at strategic partnerships where they say you provide all the administrative support, we'll keep a storefront open.

That's a scenario we've seen out in West Texas recently with the merger of two mid-size agencies into a significant agency in and around the Lubbock area. There may be a hub-and-spoke approach where you have one large provider dealing with various entities.

We've had a merger as well.

I mean, I think this is an ongoing discussion throughout the United States. Community action for years

has at conferences discussed and tried to bring these issues up and talk about how do you manage, with these declining revenues, as Tim said, these declining federal funds that everybody expects at some point, how do you manage to provide services. And that's the goal, the goal is that we have 254 counties served today, whatever decision we make, we have to serve 254 counties.

MR. OXER: With each of our programs, with all of our programs.

MR. DeYOUNG: With each of our programs, whether it Weatherization, whether it be CSBG, whether it be utility assistance through CEAP. And that's not the only part of this equation. Behind the scenes these agencies are running Head Start, they're running rural transportation, rural medical transportation, they're running housing preservation grants, nutrition programs, Meals on Wheels. This is not an isolated two or three program cause and effect.

MR. OXER: You can't pull on this one thread without unraveling something else. I guess if it was easy, we would have already done it. Right?

MR. DeYOUNG: Yes, sir. I think we have members from some of our community action agencies here who could probably answer some questions that you've asked me that I may not be able to answer. They might be able to give you

some perspective how it impacts their agency.

MR. GANN: We're going to give them an opportunity for that in just a few minutes.

Any other comments from the Board or any staff?

(No response.)

MR. GANN: If not, I'll entertain a motion.

MR. OXER: Move to accept the staff report.

MR. GANN: The motion has been made. Is there a second?

DR. MUÑOZ: Second.

MR. GANN: Second. Let's have the public comment. If you don't mind coming forward. Please speak into the mike too.

MS. RODRIGUEZ: Good morning, Mr. Chair and members of the committee. My name is Stella Rodriguez, and I'm the executive director of the Texas Association of Community Action Agencies located here in Austin. We advocate on behalf of the network of community action agencies across the state.

With me is Tama Shaw, executive director of Hill Country Community Action Association, located in San Saba, and president of the association. Also in the audience are representatives from other community action agencies and they will offer comments at the next agenda item.

The Department is considering revisions to the CSBG formula to increase provision of direct services. CSBG funds are currently maxed to the limit. Just recently, a budget category, which is direct services support, was eliminated as an allowable activity under the Comprehensive Energy Assistance Program which is a program administered by this department and run by many community action agencies.

The budget line item subsidized the administrative support of the program. Now CSBG funds, if available locally, will need to be used to subsidize the administration of the CEAP program.

Flexibility with the use of the CSBG funds allows local agencies to address the needs of their communities. In Texas and across the country, each community is vastly different. CSBG funds are used to administer other programs with very low or no administrative funding, such as the previously mentioned program. Another department program is the HOME Tenant-Based Rental Assistance Program. The funds are used to subsidize that to be able to run that program.

And others like senior nutrition meals, weatherization, utility bill payment assistance from money that comes directly from utility companies or United Way or other sources that are very restrictive, volunteer income tax assistance programs, school supply drives for low income

children, GED programs, and on and on. CSBG funds are used for innovative programs, as allowed by the CSBG Act, such as the asset development for the low income.

The staff writeup states the Department will provide for the posting and holding of a public hearing and other input opportunities, as required by the CSBG Act 676(a)(2) regarding the state plan, and Section 676(b)(8) regarding possible reduction of funds to an entity below their proportional share for the prior fiscal year. The two sections of the Act are vastly different, and we hope the department does not presume that one public hearing will satisfy both sections of the Act.

As referenced in your committee packet, 676(a)(2), which is codified as 9902(a)(2), states that in conjunction with the development of the state application and plan, at least one hearing must be held, hence, the public hearing.

Also referenced in your packet is Section 676(b)(8), codified as 9908(b)(8), which relates to the state's assurance that an eligible entity that received funding in the previous fiscal year through CSBG will not -- will not have its funding terminated or reduced below the proportional share of funding the entity received in the previous fiscal year unless certain provisions are met, and those provisions are spelled out in the Act.

The state must provide the affected entity notice and an opportunity for a hearing on the record. This is not a public hearing, rather an appeal hearing, which should be made available to each individual entity. Our understanding is that the Department's hearing process for hearings granted by law are through the State Office of Administrative Hearings.

The statements determine that cause exists for the termination or reduction, and there are two sections in the Act that specify cause. Cause for reduction: results of current census, designation of a new eligible entity, severe economic dislocation, or failure of an entity to comply with the terms of the agreement subject to another section of the law which provides the entity an opportunity for corrective action. That's cause for reduction.

Then there's cause for termination, and there also it relates to failing to comply with the terms of an agreement or state plan, and then also having to follow the corrective action plan.

Termination or reduction of funding is subject to review by the secretary. In this case it's the U.S. Department of Health and Human Services.

Our comments are based on clarification of the CSBG Act from legal counsel at Cap Law, the national law center

based in Boston, Massachusetts. They are experts in federal law pertaining to community action agencies, with a specialized emphasis on the CSBG Act, Head Start Act, and other key programs. A copy of Cap Law's opinion is available.

We welcome the opportunity to further discuss the matter, and thank you for the opportunity to comment.

MR. GANN: Thank you for coming to comment.

Tama, did you want to say anything?

MS. SHAW: Did I want to say anything?

MR. GANN: Yes.

MS. SHAW: Well, I think what you need to consider is that sure, there are community action agencies out there --

MR. GANN: You might want to speak into that mike, and tell us who you are.

MS. SHAW: I'm Tama Shaw, and I run an agency in nine counties, but we do some kind of service in 17 counties, and we're able to expand our services and do weatherization and energy outside of our core service area because we get enough CSBG to help subsidize those programs where we don't have enough administrative dollars. We get about, I'd say, \$470,000; we get a nice amount of CSBG for our area. But there are smaller agencies in more rural areas that without the floor and the base would not exist at all.

And the suggestion that maybe a bigger agency could

do the administrative piece for a smaller agency. That might work, but Texas is large, as you know, and it's really hard to coordinate things. We cover a big area and it's very difficult to make sure all your Is are dotted and Ts are crossed when you're 200 miles away from the administrative office.

So I think what Stella has spoken about and prepared today, you need to look at the law a little closer on what can really be done in this effort. Can an agency be closed down just by the fact that they will close down if you take away all of their Community Service Block Grant money. And in my opinion, if you take away the base and the floor, they're going to get such a small amount, it won't be feasible for them to stay open. So I think that's a key point: look at the laws and make sure we can do what's been discussed here.

MR. GANN: I'm seeing a lot of people writing things behind you, so that means that they're going to be looking at all these items you bring up. And we appreciate you bringing them up, too, by the way. Thank you very much.

DR. MUÑOZ: Chair, can I ask a followup questions?

MR. GANN: Yes, sure. Please.

DR. MUÑOZ: You're saying without the floor or the base that these agencies are going to shutter themselves? They have no other revenue?

MS. SHAW: Well, say they have the CEAP, the energy assistance, weatherization, they might have transportation, and that would bring in some administrative dollars, if they had Head Start. Senior nutrition is a key example of a program we operate and we always, always have to subsidize that program with our Community Service Block Grant money. This last year we still have a deficit of \$90,000 that we're going to have to raise locally to help keep that program going. And there's probably about 15 agencies in the state that run that program.

Community action does a lot of little things. We're probably one of those agencies that have about 25 different little grants and pots of money that we operate.

Without the CSBG funds, we wouldn't be able to operate most of them because most of them don't have any administrative money. And if you take a smaller agency that just has weatherization and energy -- which is important to those people in those communities, just because they're rural and small, they still need help -- they would probably not be able to make it, especially with the direct service money going out of the energy program.

DR. MUÑOZ: Why wouldn't those smaller grants, those 20 or 25 smaller grants that you administer, why wouldn't they have administrative overheads?

MS. SHAW: It's the way the --

DR. MUÑOZ: I mean, most have some kind of administrative overhead.

MS. SHAW: I have a question. The Tenant-Based Rental Assistance Program, I believe that's the one we were looking into doing, and I was told it did not have any administrative money.

MS. RODRIGUEZ: It does but not enough.

MR. OXER: But insufficient.

MS. SHAW: Not enough to support it.

DR. MUÑOZ: Well, I mean, defining sufficient is subjective.

MS. SHAW: But when you're spread out, you have to have more people. More people take more money, and there's not enough administrative money to pay those people across nine counties to do the service.

MR. GANN: Tama, I think Mr. Oxer had a question for you too.

MR. OXER: I do, for both of you, and I think it's fair to say that the members of this committee and all the other members of the Board are intimately sensitive to the impact of falling revenue and grant availability, we're all very sensitive to that, and in fact, one of the things that we have to address in the other hat that we get to wear in the big Board is for this budget cycle, I think the State

of Texas is having some better revenue expectations than they originally anticipated now. But this time last year they were saying: Okay, you've got to give us two scenarios, one where you knock off 5 percent and another one where you knock off 10 percent. Now, we didn't like it. We also didn't have a choice. Okay?

And the simple facts are I want to see the maximum amount, I'd like to see the majority of this be available, managed efficiently, and every one of these programs available. The fact that some of those grants don't have the CSBG funds is one thing -- or don't have the administrative funds, this is a squishy problem that doesn't have a real solution, and the solution can't come from us, but what we're saying is we collectively need to find a solution.

So what I would like to hear, just as your average, garden-variety member of this subcommittee, is what would you do if somebody said you've got to take 10 percent of your administrative funds out and manage it more efficiently. Now, that's a cold impact, okay, but there are a lot of people out there that lost their job are going back and they're taking rather than \$50,000 a year, they're making \$40,000 a year, and they're getting by.

We have to answer some hard questions here, and that's a hard question to ask and I'm sorry we have to ask

it, but we've still got to ask it.

MS. RODRIGUEZ: That's fair, and as businesses our agencies look at how to maximize the funds that they receive and there are good stewards of the federal funds that they receive. But because they address all the needs of the community, as businesses, agencies, like with the senior nutrition program, many of our agencies would love to shut that program down because it's costing them a lot of money.

MS. SHAW: It's costing us money.

MS. RODRIGUEZ: But the minute that they go to their elected officials, they're told: No, you've got to keep running this program for the elderly. So they're in a catch-22, they're responding to the elected officials' demand to keep this program going.

MR. OXER: We have catch-22 times 254, if that tells you anything.

MS. RODRIGUEZ: And the other thing I want to say is they do cut back, and quite honestly, many of the staff of the community action agencies are eligible for the programs because they don't earn that much money.

MR. OXER: And I think it's fair to say we understand that, but we've still got to solve this.

MS. RODRIGUEZ: Sure.

MR. OXER: So what I'm asking, and I think the

committee is asking, is we need your help in figuring this out.

MS. RODRIGUEZ: And we welcome the opportunity, and we have in years past. We sit down in a work group to look at the formula, we've done that and we're willing to do that again.

MR. GANN: And I think this is just the beginning of all that process.

MS. RODRIGUEZ: I don't think it will be ready for the 2014, though.

MR. OXER: Hey, you've got to have a goal. If you don't put a date down, it never will be ready.

MR. GANN: And we appreciate you coming to make your comments. Thank you very much.

MS. RODRIGUEZ: Thank you.

MS. SHAW: I could say a lot more.

(General laughter.)

MS. DEAN: Chairman Gann, if I can say something real quick before we vote. We had a request for clarification from the audience. The motion to approve the staff report references a motion to approve the plan that they're describing in the Board item as recommended by staff. Correct?

MR. GANN: That's correct.

MS. DEAN: Okay.

MR. OXER: Which is essentially to initiate the process to evaluate this issue. The action is we're going to go figure out a solution to the problem.

MR. GANN: No finalization to it.

MR. OXER: We're going to begin exploring, that's all.

MR. IRVINE: We want the Strategic Planning and Budgeting Committee to say yes, we're supportive of staff engaging Texas in this discussion on a timeline where if it's possible we would be ready by late spring/early summer to be proposing appropriate rule and plan changes, and of course, comporting with the requirements of federal laws regarding hearings of both types without necessarily having anything cast in stone that says we're for sure going that way or not going that way. We think it's something that provides an incentive to engage, to discuss, to get us all moving and identifying what the issues are, what the opportunities are.

MR. GANN: And I think this is going to permeate through all these items that we're talking about

DR. MUÑOZ: I have just a point of clarification on the summary by the executive director.

MR. GANN: Okay. My understanding is that we're approving the recommendation of the staff to begin to solicit

that information, which we would then entertain and deliberate and possibly -- I emphasize possibly vote on, after which there would be perhaps a timeline, timetable for implementation. I think the executive director referring to a timeline/timetable, and then a sort of potential rules change. Wouldn't it be the reverse?

MR. IRVINE: Well, it's actually two timetables. One is the timetable to get engaged in discussions, shooting for late spring to start the rulemaking timetable. We will have to go through appropriate planning and all that.

DR. MUÑOZ: I just don't want it to sound as if it's sort of a foregone conclusion, you know, we need a timetable to implement the thing that we're already sort of decided on before we've discussed it. So I just want to make that point clear.

MR. IRVINE: And I want to emphasize when I said engage Texas, I really mean engage Texas because this is not simply a community action agencies issue. I mean, Ms. Rodriguez talked, for example, about CEAP providers and weatherization assistance providers, and they don't always line up, so we really need to get a lot of parties involved in this discussion.

MS. BOSTON: And I think before --

MR. GANN: You are?

MS. BOSTON: Oh, sorry. Brooke Boston.

I think, Dr. Muñoz, to address that issue as well, we'll have our attorneys make sure with the U.S. Health and Human Services program staff and attorneys exactly how they and we should be looking at the different public, including the local hearing for those entities who would actually see a reduction and make sure that a we map that out on a calendar we look at that as well, how our rule process would be where we take a proposed to you, the Board, then it goes out for comment, then it comes back and we do an adoption, as well as the fact that we'll be taking a plan to HHS.

So I think a big part of this will be getting all of that into a calendar and really figuring out when you make sure all the hearings are accounted for and the rulemaking process, you know, would it be '14 or not, and how would that work.

DR. MUÑOZ: Brooke, just my last comment on the subject is I just hope that you spent a great deal of time examining the differences in the geography of the state. I mean, everybody sort of intuitively knows that it's very different for Dallas-Fort Worth than Tyler, Texas or Lubbock/West Texas or the Panhandle or Tahoka. And sometimes a generic sort of rule might have to be adjusted to reflect the sort of geographic, and structural specificity of these

areas and the kinds of resources that might be available in Houston and sort of more populated areas play out very differently in some of these more sparsely populated areas that are losing population. And so how you leverage resources out there and identify personnel and pay them, you know, salaries that they would not accept in some other part, and I just hope that that's taken into great consideration.

That's what I hear part of Stella's concern, and it's one that resonates with me, given where I live and given the South Plains Community Action and the kinds of services that they provide, and some of what you and I have spoken about before. So I just hope that attention is paid, a significant amount of attention to how these rules could potentially play out in different parts of the state.

MS. BOSTON: Definitely. And I think that's something that the agency and the community action network for years have tried to be very sensitive to. At the beginning when Michael was telling you a little bit about the formula, a portion of that is called inverse population density ratio which essentially says the sparser you go, you get a little boost in your money to address just what you're saying.

MR. OXER: More gas money, basically.

MS. BOSTON: Yes. And so potentially the discussion shouldn't be just about let's talk about this 98

percent poverty, the 2 percent population geographic density ration, and then the base and the floor. It should be: Well, are there other factors that when the formula was created originally and that we've tweaked over time that maybe now is a data point that would be really relevant and help point things in a good direction, and it's something that's just not even out there on a radar right now.

DR. MUÑOZ: That's precisely what I'm hoping to identify and you've captured more eloquently.

MR. OXER: Let me ask a question, Brooke, because the real summary on this is what we're saying is this is an issue of sufficient import that it's worthy of the strategic application of the resources of the agency to address it now, and what you're saying is the Board is saying: Yes, go work on this and figure it out.

MR. GANN: And this is just the beginning.

MR. OXER: It's only the beginning of the beginning too.

MR. GANN: Okay. We've got a motion before us.
Any other comments?

(No response.)

MR. GANN: I'll entertain the vote. All those in favor say aye.

(A chorus of ayes.)

MR. GANN: Any opposed?

(No response.)

MR. GANN: And there were none.

Item number 3. Brooke, is that you, or is it Michael? Michael DeYoung.

MR. DeYOUNG: Michael wishes it was Brooke presenting it.

MR. GANN: I'm getting your name all over the place up here.

MR. DeYOUNG: And you wonder why I have ever-graying hair.

MR. OXER: But at least you've got hair.

MR. DeYOUNG: What's that?

MR. OXER: At least you've got hair. It's all right if it turns gray, as long as it doesn't turn loose.

(General laughter.)

MR. DeYOUNG: Michael DeYoung, Community Affairs Division director, again.

Item number 3 for your review is concerning, again, the Community Services Block Grant, and I go back to my previous comments trying to break down the funds. This item works on the 5 percent discretionary funds that is awarded to the State of Texas. Each state is given 5 percent of the grant to use at their discretion. This is different from

the administrative funds, this is dollars that we are going to award throughout the state, but we have much more discretion in how we apply these funds.

I'll give you a little historical context for how we've done this in the past. We have brought to the Board a discretionary NOFA, usually in April, that seeks applications, and we take applications in three different areas: we have two statewide initiatives that we funded historically, the Texas Association of Community Action Agencies and the Texas Homeless Network; we have a migrant seasonal farm workers focus; and we've also had an innovative programs focus in that NOFA.

The state has great flexibility in how we could administer these dollars. We have historically not utilized that flexibility to its maximum. We've done the current funding scenario for the past at least eight or ten years.

Some of the dollars have fluctuated, I have a very high level look at how the dollars have fluctuated, but they haven't moved greatly.

We've also used some of our discretionary funds to fund disaster relief in different ways. In some instances we've actually assisted community action agencies with disaster relief, and then most recently, the Bastrop fires we funded some actual direct services through CSBG

discretionary. So that is not something that's put out in the NOFA, it's on an ad hoc basis when a disaster presents itself. There could be a tremendous need, and even during the Bastrop fires -- there were actually three areas of the state that were under fire, two of the areas accessed these funds, one area in North East Texas actually did not access these funds.

The recommendation before you is crafted off of a discussion among staff about how we target and seek to maximize the results that come from these discretionary dollars. One of the ideas that staff is proposing to you is that we have kind of a biennial focus: each biennium we choose a priority population to focus on and try and have maximum impact on that population. This biennium, as many of you are aware, there's been a focus on homelessness and not just in the big eight cities but all across the state, in the rural areas and in those smaller municipalities. And staff is proposing that we take a new approach and that we focus the funds in targeted ways to address homelessness over the next two years.

We are proposing that we fund statewide initiatives where there is an increased focus on increasing the capacity at the local level to access funds for homelessness. One of the issues that presents the State of

Texas this year is that the way homelessness services are provided are through continuum of care, and there are currently 14 continuum of care throughout the state of Texas.

These 14 areas kind of strategically plan how to resolve the issue of homelessness in their area. These areas are defined areas by HUD, they work together.

The unique thing here in Texas is that the largest one is called Balance of State and it's over 205 counties and as of the last two to three weeks, that is increasing as we have other continuum of care collapsing, and so they now get added to that 205 counties, so that figure is going to be driven up which is not an easy -- by far it creates the largest area in the United States under one jurisdiction of a continuum of care.

Staff is proposing that we take some of our CSBG discretionary dollars and invest them over the next two years to increase capacity in each of those continuum of care by focusing their efforts on strategic planning and helping the state in a way that we can draw down what are called continuum of care funds that go unused. Texas leaves about \$15 million a year on the table because we don't access the funds to our fullest extent.

The staff proposal we think helps to address this by putting funds out to the field to those areas that need

to build capacity so that when the time comes to pull down the HUD funds for the continuum of care, they are able to plan, to monitor, to structure their application for continuum of care funds in a way that receives funding from HUD. There are two or three areas of the country that do not receive an allocation at this time, and Texas is one of them. We receive some funds from the continuum of care but it is not anywhere close to our capacity to draw down.

These fund would primarily be helping the rural areas, as the big cities draw directly from HUD, and they usually have their own continuum of care funds and organizations who are fairly sophisticated and do a great job of managing services and coordinating services and tracking the homeless population throughout the state.

One of the other things that you'll see in this agenda item, and this is an issue that's been working for two or three years, is \$500,000 going to a data warehouse for HMIS, the Homeless Management Information Systems.

One of the issues that presents Texas is we have six different HMIS systems in the State of Texas amongst these 14 continuum of care. So we have people putting data about persons experiencing homelessness into a system but we can't get any of them to talk -- not the continuum but the systems. We're proposing that we fund a project, the request is before

our LBB right now, we're proposing to use CSBG discretionary up to a half million dollars to create a system that draws all six of those systems into one uniform database so that we can begin to analyze what's going on in the State of Texas.

If someone exits homelessness in Dallas but they reappear in Houston and draw services in Houston, right now we can't tell that, we can't tell if it was successful. Dallas may assume that person is no longer homeless because they're not showing up at a homeless shelter, and in reality, they may be in Austin or they may be in Houston or San Antonio drawing services there, and we can't make that conclusion with any confidence right now. So there's a half million dollars in this staff proposal that we're hoping to address that need for a data warehouse.

Then you also have another portion of this which is proposed that we have some kind of linkage between homelessness providers in the local areas and community action agencies who were commenting on the last proposal, that we explore how we can make a better synergy between those providers. I think on some level it's occurring already, but staff's proposal would seek to increase that fabric, that network of providers and provide more solutions to address homelessness at the local level.

When someone gets permanent supportive housing,

they may need help with utility assistance. We have the CEAP program. Trying to get those kind of linkages to make the possibility of success for the person experiencing homelessness even greater and how do we do that. And I think we're looking for collaboration, and that collaboration will be hopefully fostered through the funding of this initiative.

As you well know, homelessness has been a big issue. HHSB over the last few years has received a lot of attention from the legislature, it has put a lot of focus on the big cities, and we're trying to step in and complete that picture for the whole State of Texas. There's 248 counties that may not be -- I'm trying to back out the eight big cities -- there are folks who aren't receiving the benefit of those dollars, and this is trying to address some of that through better coordination of effort and helping them to draw funds from the federal government because we don't have a lot of money.

The State of Texas receives about \$5 million to address homelessness. We've received an up-tick in the last few years, but historically it's been about \$5 million for the Emergency Shelter Grants Program That's not a lot of money, and when \$15 million is sitting on the table at HUD, we're trying to figure out a way to help go get that \$15 million because that's a big pool of money for us to leave on the

table.

The other issue that presents itself with that \$15 million is closing that door and access to those funds.

It is timely that we're having this discussion because we feel like in the next year or two that door will be closed because most entities are already drawing those funds, and the fear is that as HUD loses funding for programs like this, they close that door even quicker and say: Well, if you haven't gotten it, you won't get it. And we're one of the few who haven't gotten it to its full extent and so we feel like now more than ever this discussion needs to move forward and be held by the Board and discussed and fully vetted.

So staff is recommending that we target a statewide homeless effort, that we look at collaboration amongst community action agencies and other providers, and that we would still have about \$100,000 to migrant seasonal farm workers contracts, and that would leave a little portion also for disaster relief. And then the final piece to that puzzle is the statewide database.

And now Brooke gets to tie it all up in a bow and make it pretty.

(General laughter.)

MS. BOSTON: Just a few other things. Brooke Boston.

One, I just wanted to emphasize unlike the item we talked about before where we were not taking a specific action item to the Board, this item is actually on the agenda for the full Board for approval of this concept, and we would then proceed to release the notices of funding and the requests for proposals. So this is different in that regard. I just wanted to make sure that was clear.

Also, relating to the data warehouse project, that one probably rings a bell for you guys. We brought that before this committee a couple of times when we were doing the strategic planning process in anticipation of our legislative submission. So that one, because it has already been approved through this committee and the Board, isn't really on the table specifically for the funding option, it's already before the legislature at this point, and if it's approved, we have already committed through our submission that we will use this source of money, the \$500,000, for that project. So if the legislature authorizes it, that's kind of a go, regardless of what we may do with the rest of this pot of funds.

And then I also wanted to point out there's one portion where we said in the writeup that there are some transitional funds relating to the migrant seasonal farm worker and Native American populations. Like any

organization, it's hard when you have an adjustment in the funds you're used to receiving, and so we will have that in there specifically so that for those who have had the most ongoing use of those funds, we can help transition them. While it's not worded the same way, we do anticipate that the same can be occurring under the category of local homeless innovation and interplay within community action agency network.

Currently organizations apply for those funds and they compete and then they get an award. A lot of them are year to year we tend to find the same organizations. In this case they would still be eligible to apply. I think the difference would be we'd just be asking them we want you to kind of do a focus of your activity, your innovation or whatever coordination you're going to do with an eye towards homelessness collaboration.

But it's not with the thought that the organizations who have gotten these funds in the past are all of a sudden totally not the same organizations, this is a totally different group. I think what we're envisioning is it's trying to get a group who has already been working with us and getting some CSBG discretionary to start looking through a different lens.

MR. GANN: Any comments?

DR. MUÑOZ: I have a few questions. Brooke, I'm going to require a more clear explanation of what this passage because some of the organizations that have historically received funding for migrant seasonal farm worker populations and Native American populations have become somewhat reliant on those funds, \$100,000 being targeted to transition them out of the regular discretionary funds, what does that mean exactly? What does that mean and how much is that that they have historically received, and how does \$100,000 buffer them, if at all? And why are we even looking at this most vulnerable population to transition them out?

MR. DeYOUNG: For funding for Program Year 2011 for migrant projects was \$375,000 in total. That was to four entities throughout the state. And in 2012 it was \$300,000, slightly above, \$301,000, and that was to three entities. There was only one agency that received it in both years. So you had essentially three agencies isolated in the first year and two in the second year who don't have an annual award perspective. And the grants are about \$125,000 at the high end and the low was \$50,000 during that two-year period.

MS. BOSTON: And just to answer the second part of your question, we were kind of torn -- and that's exactly why we're bringing it to you, this is just a suggestion.

DR. MUÑOZ: So you have only one agency that

received it in those subsequent years of '11 and '12, one, so it's not necessarily that all of these seven have become historically dependent on these monies, so why are we looking at this population? And what does that mean transition them out? Does that mean that you've gone from \$375,000 in '11 to \$300,000 in '12 that eventually this number will be zero, and to help sort of buffer their transition away from this money, we have \$100,000?

MS. BOSTON: Correct. That's our suggestion for this year. Part of the premise is to take a population or special needs group where we think we can get a lot of bang for our buck, so for instance, with this biennium, because there's been a lot going on in homeless activities, there's a new statewide homeless report card called Pathways Home, we just came off of having Recovery Act funds for homelessness, we had several rounds of homeless housing and services program funds at the state level, and so we kind of wanted to run with that, and instead of just doing tiny little things here and there, to really see if we could have an impact with our CSBG discretionary funds.

DR. MUÑOZ: I hear that, Brooke, and I don't disagree, and homelessness is a tragic affliction on our society, but for these seven organizations, I can't help but imagine that this \$375,000 and \$300,000 is critical, and some

of these Native American groups, I can't help but believe that there's homelessness among those populations. The deplorable living conditions of some migrant workers is equally heartbreaking to anything we'll see.

MS. BOSTON: I totally agree, and we had talked about that and different iterations of how we could suggest breaking out these funds. We had had a point where all the ones under -- essentially once you back out the warehouse and the disaster recovery we're just altogether saying if you can work on homelessness issues, whether you're dealing with Native American populations, migrant seasonal farm worker, whatever the case is, as long as you're willing to do it through the lens of homelessness, then that would be fine. And those recommendations could apply under that category now.

DR. MUÑOZ: But chances are that they would apply and successfully receive while they're competing with entirely different organizations that are fully dedicated to the issue of homelessness is probably modest, the likelihood that they would successfully compete against some of those other agencies that have been, again, entirely defined by their work with the homeless population.

I mean, I just want to make sure that I'm understanding this, that eventually we're trying to wean or

potentially wean these groups away from this annual allocation of approximately \$300,000 and use this \$100,000 in this one year to transition them and eventually they would potentially -- setting aside the likelihood that they would apply for funds that target homelessness, that then their allocation would be zero.

MS. BOSTON: Unless the year after that we choose migrant seasonal farm worker or Native American as our special population, which we would then do two years worth of direct targeting of the funds for that. And that's one of the big debates about this which is why it was very important for us to make sure we talked about it here.

I mean, it's impossible to ever feel like we can address all the special needs populations because there's so much need and they're all very, very deserving, and so it's definitely not a comment that we feel like the Native American tribes or the migrant seasonal farm worker programs are any less deserving, it was just a way to see if there was a way to start focusing the funds into a topic area.

DR. MUÑOZ: And Brooke, I want to applaud you for trying to be a bit more not simply focused but impactful, and that's your responsibility and your professional judgment allows these funds to make more of a difference with one of many deserving populations. But from my point of view as

a Board member, it's also my responsibility to raise the occasional objection if I happen not to agree.

MS. BOSTON: Sure, definitely. And we anticipate that.

DR. MUÑOZ: And in this case if it's not clear enough, I don't agree.

MS. BOSTON: Would your suggestion be --

DR. MUÑOZ: I'd like to hear from others; you know, my opinion may not prevail.

MS. BOSTON: And I would say part of what I think we were hoping for is to the extent that there are facets of this to either just scrap it entirely and say let's go with the way we've been doing it the last few years and keep talking about it, all the way to just change this one line item, to the degree to which we can get that feedback here so that when we present this to the full Board this afternoon we can do a staff amendment based on the input would be great.

DR. MUÑOZ: I agree with the focus on homelessness, I agree with that sort of foresight for the immediate future. I had trouble with the sort of sunseting of the funding for migrant farm workers and Native populations as a targeted population. I think that they continue to be underserved, and that this would be, for those few agencies that do that work, I think it would be -- and we heard earlier

even from Stella how these smaller agencies really rely on these dollars, and I think it would certainly apply to these seven. And so that's my hesitation and would be my position.

MS. BOSTON: If we put that back up to \$300- and had that there was a homeless focus on what activities they proposed?

DR. MUÑOZ: I could agree to that adjustment, but there are others that might feel otherwise.

MS. BOSTON: Sure.

MR. GANN: Let me ask you a question too. You mentioned there's \$15 million out here that we're not accessing now, basically. What's the net, if we come into this focus, if we can focus on whatever Washington decides needs to be focused on, what is the net we'll bring in extra? Is it possibly the \$15 million extra?

MS. BOSTON: Yes.

MR. GANN: So we could have more total funds. Correct?

MR. IRVINE: Well, assuming that the HUD funding that's programmed to Texas stays at that level and that Texas is fully able to access it, yes, but HUD is always adjusting that formula and we just didn't want them to take lack of activity in the area of addressing homelessness as a factor for continuing to adjust down the Texas piece of their formula.

Megan understands this way better than I do.

MS. SYLVESTER: Megan Sylvester, Legal Services.

It potentially could be greater than \$15 million, as well.

MR. OXER: That's a good answer, by the way.

MS. SYLVESTER: Because as more entities collapse their small COCs and they join the Balance of State, the need portion will go up. We have some other initiatives on our agenda about ESG and focusing and planning that as folks are hopefully using a data warehouse and more folks are inputting information into HMIS, the numbers that we report to HUD about what the need is in Texas probably will go up as well.

MR. OXER: So the potential exists for the funding to go up based on the numbers we're reporting because of a data quality issue is basically what it's coming down to.

MS. SYLVESTER: That's correct.

MR. OXER: I have a comment and a question or two here.

MR. GANN: Okay.

MR. OXER: First of all, given the amount of money that Texas sends to D.C., anything we can do to get more of it back is a good thing. So I'd like to see some of the discretionary money spent on figuring out how to take down

that additional funding that's available, and we need to really focus on that. I just think that's a good thing in an era where we have a budget problem here in Texas.

Another comment would be to one point about this, it sounds like there are some things we've been putting a layer of funding across all of this stuff and it's not really enough to address the problem, it just keeps the things limping along. So if we cut everything off and say rather than focusing on it this way, we're going to focus deep and go deep on one problem till we can solve that, or do as much as we can to solve it, then on the next biennium we go deep on one problem, perhaps we'll get one over the point where it can be a self-sustaining solution in there that's actually called a phalanx approach. That's a history lesson we'll take up later. All right?

I think it's much more important to focus as much effort as you can on solving a problem than it is just simply addressing a problem. One of the mandates that I use in some of the other stuff that I do back in my day job in trying to buy groceries and pay the rent, is if there's a whole bunch of problems and you've got five really big problems and five really small problems, everybody says let's see if we can solve this small problem over here, so they put it out and it relights itself, and those fires relight themselves. But

if you'll ignore everything over there on the small problems and most of the big ones and spent everything you can to kill one of the big problems, solve it, whatever it takes, if you put that out, one of the little small ones will go out too.

And so by addressing this in this way, by doing something like that, taking the homeless program and generating perhaps the data quality capacity to generate the data quality through the HMIS, that gives you more capacity to address some of the other big problems that exist because those systems will be available for the next problem.

So while I understand and I am sensitive to the impacts of the loss of funding for any particular group out there, there's still a substantive fundamental problem we've got to address that we're not putting enough resources in to get us over the sort of energy hump to get to a solution.

And so that's just a political comment, Mr. Chairman.

MR. GANN: I appreciate that.

Any other comments?

MR. IRVINE: I would just like to clarify sort of the subtraction type math. The total CSBG discretionary balance after deduction of the HMIS project which we've already set aside is \$900,000. So we're starting at \$900,000, so really the policy issue before you -- and I know you've got some other folks that want to speak to this -- is what,

if anything, within the current use of that \$900,000 you wish to consider continuing or prioritizing.

On the homelessness focus side, part of the big problem with homelessness is we don't have good numbers. The HUD point in time count is somewhere around 34,000 in the State of Texas, but the Texas Homeless Network -- with, frankly, much better information -- estimates it's probably closer to about 85,000.

I attended a pretty compelling presentation in Waco where the smaller city pretty clearly documented how it costs their taxpayers \$39,000 every single year for each homeless person in that city. Given that costs are probably higher in some places and lower in other places, even if you cut that in half and say it costs \$20,000 a year to take care of a homeless person and you multiply that by 85,000 --

MR. OXER: It's \$170 million.

MR. IRVINE: -- that's a lot of money. And if we can leverage the additional federal funding, to which I believe Texas is entitled but we've got to be able to prove it up, that really gives us a very robust start on addressing homelessness prevention in the State of Texas, so to me it's pretty compelling.

MR. GANN: Item number 3, no further comment?

DR. MUÑOZ: The way I understand it, Tim, you've

got this \$1.4 million, at least according to this chart -- \$1.2- dedicated.

MR. IRVINE: It's \$1.4- minus the \$500- for the HMIS project, leaving \$900,000, doing some sort of set-aside until the end of the year for disaster contingencies, you're talking probably somewhere under \$900,000 that would be available for this initiative. And the question is do you want to reduce that number further by continuing any of the initiatives that are currently employed in the CSBG discretionary, like the Native American and migrant worker populations or the innovative projects, or anything else.

MR. GANN: No further discussion? Anybody?

DR. MUÑOZ: I'd suggest maybe reducing that local homelessness innovation and possible interplay figure from \$400,000 to \$300,000 and increasing the transitional fund from \$100,000 to \$200,000. You know, you reduced their funding from \$375,000 one year to \$300- so they somehow accommodated an almost \$75,000, almost \$100,000 reduction, they would again. Then I'll take up this issue next year when it surfaces again.

MR. GANN: You may get another chance later today. Do you want to put that in the form of a motion?

DR. MUÑOZ: Well, I move staff's recommendation with a change to reduce the \$400,000 figure for local

homelessness innovation and possible interplay with community action agency network for \$400,000, and increasing the transitional fund for migrant seasonal farm worker and Native American populations to \$200,000, not affecting the \$1.4 million available for CSBG discretionary.

MR. OXER: Second.

MR. GANN: A motion has been made and seconded.

Now, ladies, I think you can step up one by one or as a group if you need to. Remember to please state your name and who you represent.

MS. SWENSON: Good morning, Mr. Chair. My name is Karen Swenson. I'm the executive director of Greater East Texas Community Action Program based in Nacogdoches. I appreciated the previous comments about doors and sites. Our agency has doors and sites in twelve counties in rural East Texas. Among them are energy assistance and LIHEAP energy assistance, weatherization, Head Start, and we also operate a myriad of other programs that don't have any administrative money.

With me this morning is Vicki Smith, who is executive director for Community Action Committee of Victoria, Texas, and also Kelly Franke, who is the executive director of Combined Community Action in Giddings. And I want to comment that Combined Community Action and the staff

and Ms. Franke were very involved in the Bastrop fires last year, and we really commend them for their hard efforts. That was not fun.

Currently, I serve as an officer of the Texas Association of Community Action Agencies, and additionally, I also serve as president of the Region VI Association of Community Action Agencies which includes Arkansas, Louisiana, New Mexico, Oklahoma, and of course, Texas which is the best.

In reference to the proposed use of the 2013 CSBG discretionary funds, I would like to make the following comments. The first paragraph of the background information in your committee packet reflects historical use of the CSBG discretionary funds which supported statewide projects to provide training and technical assistance to CSBG entities, as well as statewide coordination and communication among eligible entities, along with other statewide projects and local projects, as permitted by the CSBG Act.

The proposed policy shift completely eliminates future funding for training and technical assistance at a time when our fast-paced, national initiatives regarding CSBG performance management and ROMA Next Generation is eminent.

Results Oriented Management and Accountability is a requirement under the CSBG Act. At the direction of the Office of Community Services and the U.S. Department of Health

and Human Services, all states will have to ramp up to implement ROMA Next Generation, most likely later this year.

Our state association staff is active in a subcommittee of a national task force on CSBG performance management. This one focuses on fiscal management. Additionally, it is involved at the regional level in partnership with Arkansas, Louisiana, New Mexico and Oklahoma regarding ROMA Next Generation. I personally serve on this regional committee for CSBG performance management.

Historically, Texas receives about \$30 million in CSBG funds, which we've discussed. Training and technical assistance will be an absolute necessity to get all of our local staff trained in order to effectively implement ROMA Next Generation and to meet the CSBG federal mandates.

The chart reflecting the allocation of the CSBG discretionary funds raises a question and a few concerns. First -- and I think this may be addressed somewhat -- are the fund amounts in the chart for a one-year project or for the biennium.

Secondly, \$400,000 has been discussed for local homelessness innovation and possible interplay with community action agencies. The word "possible" in your packet is a bit concerning for the community action network. Our concern is based on the Department's historical awarding of homeless

funds to organizations other than the community action network. In the 2012 funding cycle, the Department's Emergency Solutions Grants Program, which is a homeless program, over \$8.7 million was awarded to a number of organizations and not one of them was a community action agency. Previously a very small number of community action agencies have been successful in receiving those funds.

Thirdly -- and this has already been discussed -- the reduction and eventual elimination of the CSBG discretionary funds for the assistance to migrant and seasonal farm workers would be extremely difficult in this population. Several community action agencies and other organizations provide direct services to these farm workers, with services including but not limited to transportation, food, shelter and referral to agencies across the state. This is a vital part of the services that we are providing.

And then fourth, \$100,000 is allocated for disaster recovery, and we believe this is dangerously low. Let's recall the fires last year across the state. That was not pretty. And then additionally, we always have hurricanes. CSBG discretionary funds assisted several agencies with CSBG discretionary funds to assist victims in these disasters, however, not all the agencies that needed financial assistance to assist victims of the disasters

received that financial assistance.

The Department staff has been promoting community action agencies to be first responders to disasters, and quite honestly, we're already there so we may as well be. It is a difficult task without the appropriate funds to support those activities.

In conclusion, we recommend that CSBG discretionary funds support CSBG related activities through our network with respect to: the training and technical assistance to ramp up to support the national initiatives regarding CSBG performance management and ROMA Next Generation; secondly, providing homeless funds, if funded through the community action network; and then lastly, to increase the disaster recovery allocation.

We welcome the opportunity to discuss this further with the staff and we appreciate this opportunity to come before you this day.

Any questions?

MR. GANN: Karen, I appreciate you coming from those Piney Woods and coming to this area where they seem to burn a lot of pine trees down here. So appreciate you making the trip.

No questions? Do we have another speaker?

(No response.)

MR. GANN: Appreciate all of you coming.

MR. IRVINE: I think Michele has something to read into the record.

MS. ATKINS: On this item, Vicki Smith and Kelly Franke are opposed to the staff recommendation and wanted that read into the record. Thank you.

MR. GANN: Okay. We have a motion on the floor. All those in favor say aye.

(A chorus of ayes.)

MR. GANN: Any opposed?

(No response.)

MR. GANN: There were none.

On to item 4. I'm going to let you know I'm not picking on you, it all says here

MS. BOSTON: Especially not that NSP stuff, no.

(General laughter.)

MS. HOLLOWAY: Good morning. I'm Marni Holloway, the director of the Neighborhood Stabilization Program.

As you are aware, we're headed for our March 3 expenditure deadline, 100 percent expenditure deadline, for the NSP-1 grant. In typical HUD fashion, they did this to us at obligation, as we get closer and closer, they issue more and more policy guidance and more and more clarification, so we're trying to keep up with them. This time it's actually

a good thing.

HUD has, in recent webinars and in a couple of policy documents, clarified that expenditure does not equal occupancy, and that they expect that while we will be fully expended as of March 3, we won't necessarily have all units occupied, so that creates sort of a conundrum for us as to how we're going to make that happen.

The other clarification that they've provided recently is that they expect disposition of land bank activities to be a continued activity of the Neighborhood Stabilization Program. They don't expect that the properties will be moth-balled and magically redeveloped in ten years, they expect that this will continue to be actively managed, both on our part and on that of our subrecipients.

Creates a problem with funds, creates a problem with money. Closing homebuyer transactions requires payments to third parties for things like title or insurance or surveys, inspections, potentially some last-minute repairs after a TREC inspection. We won't have NSP-1 grant funds available to us to cover those inspections after March 3, to cover those third-party costs after March 3.

The same with the land bank activities. The land banks will have continued carrying costs, insurance, mowing, taxes potentially, through 2019 when their contract expires.

They also will have continued administrative costs as they work on their redevelopment activities. So there are two sort of distinct activities that we're going to be working on after the March 3 deadline.

What we are planning to do and what this action describes -- and this is also on the Board agenda later on today -- is to use program income funds that we have already received and will continue to receive in order to fund finishing up NSP-1. So we're basically creating a small pot of funds to close up these final homebuyer transactions and we're creating another pot of funds to support the continued disposition of the land bank activities.

Unfortunately, today I can't tell you what the dollar amount on either is going to be. We won't know until March 3 exactly which homebuyers have been closed and which ones remain to be closed. We're also continuing conversations with our land banking subrecipients about what their needs will be moving forward so that what we're budgeting is what they will need in order to complete those activities.

The other twist on all of this is because it's funding continuation of activities that have already been approved, it's not appropriate to put it out in a NOFA, really.

So what we are proposing to do is to continue to use program income funds in order to finish up these last few activities

and wanted to bring this to this group for discussion, if there are any questions. It's a little different than anything we've done before, but it's NSP so of course it's different. And we'll give, of course, the full board an opportunity to discuss and vet that option.

MR. GANN: Does that conclude your remarks?

MS. HOLLOWAY: That concludes my remarks.

MR. GANN: Any comments from the Board?

MR. OXER: You seem to have had such a delightful time for so long, Marni, with the NSP program, I can't see that you really want to get rid of it, so this is an exercise in extending that, is that what this is?

MS. HOLLOWAY: Every webinar brings a new twist. We actually had a new twist yesterday on how we get to expenditure, which actually will make life easier, but if they had told us six months ago, we would have handled things a little differently six months ago.

MR. OXER: Keep moving the goal line on you?

MS. HOLLOWAY: Yes. But just as we're adjusting and figuring it out and working on it as we go along, so is HUD. And luckily, though, this one is a good one. This is yes, we can make sure that these activities are finished up and they're done properly and we're not leaving subrecipients hanging out there with land banked lots or houses that need

to be sold.

MR. IRVINE: Effectively, NSP-1 has extended itself and expanded its effectiveness by recycling money that comes off the deals we've already done.

MR. OXER: So what you're saying is essentially that it's not really a NOFA, it's an extension of something you're already spending money for, we just need to know about it.

MS. HOLLOWAY: Right. And as I said, a NOFA wouldn't really be appropriate because we're finishing up activities that we already started. And when we first created those contracts, or even six months ago when we came and talked with you about extending contracts and what we were going to do, we didn't have this bit of information about using program income to finish up.

MR. OXER: Not to break the scab off of something that I hope has been holding up here --

MR. GANN: We may hold back on that, Chairman.

(General laughter.)

MR. OXER: -- but I assume this new approach for something is new and you've got a pretty clear sense of what we need to protect the audit data on this

MS. HOLLOWAY: Yes, absolutely. And as I'm sure you can imagine, I and the NSP staff are a little

hypersensitive about making sure that we have the clear auditable record and making sure that we have everything in place moving forward. My staff is getting a little tire of me saying: No, we have to do it this way.

And actually, I had planned on checking in with Internal Audit on what we're doing with this new HUD guidance about expenditures. We'll make sure we're good.

MR. GANN: Any other comments? If not, I'll take a motion.

DR. MUÑOZ: Move staff's recommendation.

MR. OXER: Second.

MR. GANN: It's been made and seconded. This doesn't look like public comment over here. Do you want to make some public comment?

(General talking and laughter.)

MR. GANN: If not, we have a motion before us. All those in favor say aye.

(A chorus of ayes.)

MR. GANN: Any opposed?

(No response.)

MR. GANN: There are none.

MS. HOLLOWAY: Thank you.

MR. GANN: Thank you, Ms. Holloway.

Item 5, David Cervantes.

MR. CERVANTES: Mr. Chairman, members of the committee. I'm David Cervantes, chief financial officer for the Department.

The final item on your agenda is a budget item, and as you know, we periodically have found our way to the committee with different budget matters, such as the legislative appropriations request, discussions on 10 percent reduction, to day HMIS was mentioned in relation to capital budget, and then, of course, our internal operating budget that we bring before you, the committee, and also our full Board.

And so today is kind of an extension on the discussion on the internal operating budget, and topic today is a salary compensation idea that we would like to float by you and get your input, your guidance, and kind of give us a signal if you think we're on the right track in terms of our plans on how we establish an ongoing salary compensation tool for the agency and how we take salary actions into consideration.

So if you look in your packet, you find a fact sheet which is the first page of your packet, and the first portion of it just gives you some basic facts. The annual operating budget, as I mentioned, was approved by the Board on July 10. If you looked at the budget, it included some

salaries of \$16.1 million, and also within the approval of the budget we established a 1.5 percent allowance for salary actions for the Department. That translates to about \$242,963 for the Department for these types of actions. In addition, as we're getting ready to go before session, we also included in our legislative appropriations request another 1.5 percent for each year of the biennium for '14 and '15.

So today for consideration, as you can see in the second portion of the materials, are some basic criteria and guidelines that we would possibly want to employ at the Department, and they involve promotion activity or considerations for promotions of no more than 6.8 percent.

And I would like to clarify for the record, this particular item makes a statement that the percentage is based on a statewide cap, this particular item would not, so the 6.8 percent would be something that would be an internally imposed constraint for promotions.

However, the second item that deals with reclassifications for the Department is a cap that sits within our Article 9 provisions at 6.8 percent. So the original thinking on the promotions was to create something that would be consistent with what's in law and our articles in the General Appropriations Act.

There's also another item that deals with merit, and those would have a constraint of a 3 percent provision for merits, or at a minimum \$125 per month. The minimum on \$125 per month is as we work our way through the lower echelon of our classification scales, sometimes when you provide a 3 percent it doesn't even get you to \$100 or so. So when you get into those types of conditions, \$125 would, in general, provide an employee at least probably \$100 take-home after the action is recommended.

Equity adjustments, we are also talking about a tool which is the second page of this presentation, and I'll walk you through that in a moment. We would ask that equity adjustments also be taken into consideration within the boundaries of the tool and what we're doing here.

And finally, one-time merit payments. Just as a bit of background, over at least the last two years, the majority of the actions the Department has recommended for its employees have been one-time actions. As you know, probably over the last two bienniums, due to the economic times and the economic climate, we have been very conservative in terms of controlling any long-term beneficial actions outside of one-times. So again, this particular item is one that would make an attempt to restore some more traditional type of activity for the Department in terms of employee

retention and providing benefits to our employees.

The last portion of this just makes reference to the tool, and I won't take too much of your time, but the other thing that we're trying to accomplish with this type of proposal is to provide some tool that we would deploy through the Department. We would put a tool out on the Q-drive so that all divisions of the agency would have parity in terms of the restrictions of the 1.5 percent, how the tool would function to ensure that we would stay within those constraints and apply the application.

The tool itself would also allow us an opportunity to determine current year impact but also would allow us to determine long-term annualized impact for the future, again, to make sure that we're staying within the constraints of the approved action at 1.5 percent.

We would ask that the planning tool by the divisions, that they would go through a process during the course of the year, and then no later than April 15 we would have a tool complete in terms of getting an idea of what types of proposed actions may be coming through or requested. If actions would be recommended and accepted by the Department and the executive director, all actions would be completed by July 1 so that that way we could encompass everything into the proposed budget for the following fiscal year.

Performance evaluations would also be part of the criteria. This would be a situation where making sure that all evaluations are complete and that the employees that are being recommended for this variety of actions would have the adequate ratings to justify the actions that are being recommended for the employees.

So I'll pause there for a moment, and if there are no questions, then I would walk you briefly through the tool that sits on the second page of your materials. Are there any questions at this point? Move forward on the tool?

MR. GANN: Please do.

MR. CERVANTES: The instrument is pretty straightforward. It's an example of, for example, we've crafted up a mock situation here identified as ABC Division, and you can see that it has two sections to it, one with future annual impact and one for current year impact. You'll notice at the top of it that the 1.5 percent limitation for ABC Division would be \$10,078. So every division within its budget, there's a line item there calculated on salaries for each particular year. Everybody could find it in their budget or in the Q-drive we would load this up with the amount available for them to act.

In this particular example, you can see on the left-hand margin that it's a division that has seven employees

for consideration, and again, in the example, a variety of actions were loaded into this particular example. We have the first action where it would be a merit, again, you see at the right the percent change no more than 3 percent; a reclassification at its highest range, in this example at 6.8; a promotion recommended for an employee at 4 percent; and then you also see an equity adjustment; and then three one-time actions for its employees. And then you can see the annual change and you can see the current year impact.

In both instances you would find at the very bottom that these actions would still comply with the constraints that we established within the operating budget.

The current year impact, you'll see on the far right there is a legend that depending on when you would act it would give you some more latitude in terms of what your capabilities for the variety of actions that you want to consider for recommendation. Nonetheless, I would stress again that the controls would still be in place to ensure that we're staying within the boundaries of the Department.

So with that in mind, I think the proposal is intended, as I mentioned already, employee retention is something that we are taking very much into consideration to ensure that the employees are growing and developing within our organization, and that they feel that we are adequately

compensating outside of the unusual circumstances, such as one-times. And not only that, but that also provides long-term benefit to our employees as they start planning for retirement eventually, hopefully working for our agency.

It will also create consistency in terms of all of the divisions having a clear understanding of what tool will be used and what their constraints are, and it will obviously -- I mentioned -- create the fiscal control and the discipline that we would use throughout the agency so that we can process actions as we work through each year of the biennium.

So I'll close with that, and I'd welcome any guidance, input, thoughts.

MR. IRVINE: I'd just like to underscore one point, and I think it's probably, at least in my opinion, the most important part of this, and that's going to annualized impacts of salary increases. In the past we have looked at in current year, if for example, I wanted to give a particular employee, say, a \$1,000 increase and I was looking for how to pay for that, and I saw: Well, gee, I'm \$1,000 under budget in postage. Then I would say: Well, within my overall budget I've got the \$1,000. But that doesn't take into account that next year I may need some stamps.

So I think this instills the discipline of looking

at it in a long-term continuum perspective and also, frankly, it has a spillover effect of promoting greater honesty and transparency in the budgeting of those other items.

MR. GANN: Any other comment? I see no public comment. So I'll entertain a motion.

DR. MUÑOZ: Move staff's recommendation.

MR. GANN: Second?

MR. OXER: And I'll second.

MR. GANN: A motion has been made and seconded, and I see no public comment, so we'll vote. All those in favor say aye.

(A chorus of ayes.)

MR. GANN: Any opposed?

(No response.)

MR. GANN: I heard none, it's unanimous.

MR. CERVANTES: Thank you very much.

MR. GANN: Thank you, David.

Now this is an opportunity for public comment on any item that's not on the agenda. Is there any public comment on any item that's not on the agenda?

(No response.)

MR. GANN: I see none, so I'll take a motion to adjourn.

MR. OXER: So moved.

DR. MUÑOZ: Second.

MR. GANN: All those in favor say aye.

(A chorus of ayes.)

MR. GANN: Any opposed?

(No response.)

MR. GANN: We are adjourned.

(Whereupon, at 11:50 a.m., the meeting was concluded.)

CERTIFICATE

MEETING OF: Strategic Planning & Budgeting Committee

LOCATION: Austin, Texas

DATE: January 17, 2013

I do hereby certify that the foregoing pages, numbers 1 through 74, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Penny Bynum before the Texas Department of Housing and Community Affairs.

01/22/2013
(Transcriber) (Date)

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