Local Initiatives Support Corporation (LISC)
FY 2018 Written Witness Testimony To
The United States House of Representatives
Appropriations Subcommittee on Labor, Health and Human Services and Related Agencies
Submitted by:
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Chairman Cole, Ranking Member DeLauro, and Distinguished Members of the Appropriations Subcommittee on Labor, Health and Human Services and Related Agencies:

Thank you for the opportunity to offer written testimony to the Labor, Health and Human Services, Education and Related Agencies (LHHS) Subcommittee. Supportive public policies are critical to transforming distressed communities into vibrant places to live, work, do business and raise families. As you develop the FY 2018 LHHS bill, we urge you to prioritize funding for programs that equip local communities with the resources that are needed to develop thriving neighborhoods, live safely and in health, learn, build assets and take part in the mainstream economy. Specifically, we encourage prioritization of the following programs:

Agency	**Program**	**Request**
Department of Health and Human Services (HHS), Administration for Children and Families (ACF)		Dedicate federal resources for the cost of acquisition, construction, or renovation of early childhood facilities.
Department of Health and Human Services, (HHS), Health Resources and Services Administration (HRSA)	Community Health Center Loan Guarantee Program	Provide $35 million to the Health Resources and Services Administration (HRSA) to recapitalize the Community Health Center Loan Guarantee Program.

Department of Education (ED), Office of Innovation and Improvement (OII)	Credit Enhancement for Charter School Facilities Program (CEP)	Ensure that at least 12.5% of the total authorized appropriation for public charter schools is available for facilities, and that no less than 65% is allotted to the highly successful Credit Enhancement for Charter School Facilities Program (CEP).
Corporation for National and Community Service (CNCS)	Social Innovation Fund (SIF)	Include $70 million for the Corporation for National and Community Service (CNCS) Social Innovation Fund, and set aside up to 20% of these funds for Pay for Success Projects.

If you have any questions about our testimony or our work in revitalizing urban and rural communities, please contact Matt Josephs, Sr. Policy Officer at mjosephs@lisc.org or (202) 739-9264.

ABOUT LISC

Established in 1979, the Local Initiatives Support Corporation (LISC) is a national nonprofit and Community Development Financial Institution (CDFI). With local offices in 31 cities and partners with more than 70 organizations serving rural communities throughout the country, we focus our activities across strategic community revitalization goals, including: expanding investment in housing and other real estate; increasing family financial stability; stimulating economic development; improving access to quality education; and supporting healthy environments and lifestyles. The following feedback and recommendations are rooted in our organization's experience in collaborating with community groups to use research and data to identify the priorities and challenges of their neighborhoods, and deliver the most appropriate support to meet local needs.

RECOMMENDATIONS

Agency: HHS, ACF

Recommendation: Dedicate federal resources for the cost of acquisition, construction, or renovation of early childhood facilities.

High quality early care and education is widely regarded as the single most effective intervention to promote healthy development and close the academic achievement gap for low-income children at-risk for poor social and economic outcomes. While many factors contribute to program quality, the physical environment is an essential feature that is often overlooked. Despite what is known about the importance of the spaces where learning takes place, there is no federal dedicated source of capital to help early care and education programs develop suitable well-designed facilities. A facility's layout, size, materials and design features improve program quality while poorly adapted and overcrowded environments undermine it. Ample classrooms divided into well-configured activity areas support uninterrupted self-directed pay and exploration and lead to fewer conflicts among children. Bathrooms adjacent to classrooms, accessible cubbies, and child-height furnishings and fixtures increase children's autonomy and competence while decreasing the demands on teachers.

Historically, private financial institutions have not made significant infrastructure investments in early care and education – particularly in economically distressed areas. Few mainstream banks, credit unions, and lending institutions are willing to finance early childhood facilities projects, which tend to require relatively small, complex loans often characterized by uncertain future funding for repayment through government operating subsidies. Private banks typically don't employ staff with specialized knowledge of the early care and education sector, and consequently are unable to understand the needs of early childhood centers or assist program directors lacking experience with real estate development and financing. Programs serving low-income communities are highly dependent on public operating revenues that don't cover the cost of purchasing or renovating facilities. Early childhood facilities projects generally have little to no equity, and limited collateral value.

As you consider ways that Congress can help children get an early start on the pathway to success, we encourage you to recognize the critical role that early childhood facilities play in preparing young children for achievement in school and in life, and urge you to ensure that federal policies adequately finance the acquisition, construction, and improvement of these spaces.

Agency: HHS, HRSA

Recommendation: Provide $35 million to the Health Resources and Services Administration (HRSA) to recapitalize the Community Health Center Loan Guarantee Program.

Nearly 62 million Americans do not have a regular source of primary health care – meaning that they are not getting the preventative health care needed to treat conditions in their early stages, and that all too often their first interactions with the healthcare systems are emergency rooms and hospitals. *This has a detrimental impact not only on their personal health and well-being, but also results in much higher treatment costs for the families as well as the Federal government.* The nation's network of Federally Qualified Health Care Centers (Community Health Centers) is our prime means of expanding access to preventative healthcare to underserved families. There are nearly 1,400 Community Health Centers operating 9,800 delivery sites in distressed rural and urban communities throughout the country, providing comprehensive, quality primary care to more than 22 million low-income Americans. They provide these services regardless of a patient's ability to pay, and they do so in a cost effective manner that produces an estimated $28 billion in annual health savings.

These Centers are seeing tremendous increases in patient demand. Based on current trends, Community Health Centers are on track to serve 32 million patients by 2020 – a 45% increase over their current patient population. In order to serve this expanded population, they will need **$8.5 billion**[1] to support the construction of new delivery sites and the expansion and rehabilitation of existing treatment centers. However, most community health centers do not have access to financing from mainstream financial institutions, which see risks associated with the variable nature of their revenue stream, their fragile financial profiles, and the limited value of the facility as collateral.

The Community Health Center (CHC) Loan Guarantee Program, administered by the Health Resource Services Administration (HRSA) at the Department of HHS, leverages private sector resources to

[1] *Capital Plans and Needs of Health Centers: A National Perspective*, Capital Link, 2015.

finance the capital needs of community health centers. The CHC Loan Guarantee Program offers a federal guarantee of up to 80 percent of the amount of a facilities loan provided by a private lender to a federally-qualified community health center. The guaranteed loan proceeds may be used for the costs of construction, renovation and modernization of these facilities. To date, the program has guaranteed 18 transactions for health centers, supporting $233.6 million in total development costs for more than 600,000 square feet of facilities space. In 2014, these health centers served 375,000 patients.

In accordance with the Federal Credit Reform Act, the Loan Guarantee program needs a small amount of federal appropriations as a protection against potential losses. The current appropriations level is almost fully committed to projects that have already been financed, meaning that without a fresh infusion of funding, HRSA cannot offer any new loan guarantees.

Congress should provide appropriations of $35 million to HRSA to recapitalize the CHC Loan Guarantee Program. At the program's current subsidy rate, $35 million would support over <u>$1 billion of private sector investments</u> in community health centers – for a leverage rate of over $28 of capital for every $1 of federal subsidy.

Agency: ED, OII

Recommendation: Ensure that at least 12.5% of the total authorized appropriation for public charter schools is available for facilities, and that no less than 65% is allotted to the highly successful Credit Enhancement for Charter School Facilities Program (CEP).

Public charter schools provide educational options to students and their families, boost educational achievement, and positively impact their students' future earnings potential. Today there are approximately 6,900 charter schools across the country serving 3.1 million primarily low-income students. *Over 1,000,000 students* are on their waiting lists nationwide because these schools are achieving positive results despite facing certain hurdles. One of the largest challenges facing charter schools is their ability to secure and finance adequate facilities.

The Credit Enhancement for Charter Schools Facilities Program (CEP) was established to help charter schools overcome financial challenges that can limit their ability to access appropriate accommodations. Charter schools have a financing need conservatively estimated at $1.3 billion annually. Most jurisdictions with charter laws do not provide a public funding stream for charter school facilities, meaning that charter schools must take significant portions of their operating budgets—usually around 20%—to put toward facilities costs. CEP provides grants to eligible entities (states, local governmental entities, private nonprofits and state/local/private nonprofit consortiums) to help public charter schools improve their credit in order to obtain private sector capital to buy, construct, renovate or lease academic facilities. This program is unique because rather than using grant funds to directly pay for a charter school's construction or repair, funds must be used to support private sector lending through loan guarantees and other credit-enhancing means.

To date, 566 charter schools have been served via 36 CEP grants. $243 million of CEP grants have been used by program recipients, enabling $4 billion in total financing. The return on investment for CEP dollars invested by the federal government is $11.70 for each dollar of CEP funds. Grantees and assisted schools indicate that access to these private funding sources would not have been possible without the CEP Program. We urge the Subcomittee to ensure that at least 12.5% of the total authorized appropriation for public charter schools is available for facilities, and that no less than 65% is allotted to the highly successful CEP. (Ex: If $300 million is allocated to the Charter School Program account, there should be no less than $37.5 million for facilities aid, of which $24.3 million should be dedicated the Credit Enhancement Program.)

Agency: CNCS **Recommendation:** Include $70 million for the Corporation for National and Community Service (CNCS) Social Innovation Fund, and set aside up to 20% of these funds for Pay for Success Projects.

Established in 2009, the Social Innovation Fund (SIF) is a program of the Corporation for National and Community Service (CNCS) that leverages public and private resources to identify compelling, innovative, evidence-based programs with potential for expansion. SIF relies on outstanding intermediaries – not the Federal government – to direct resources to nonprofit organizations or state and local government entities focused on achieving measurable positive outcomes in the areas of youth development, economic opportunity, and healthy futures.

There are two variations of the SIF:

- SIF Classic awards grants to eligible grantmaking institutions or partnerships to select, fund, support, and evaluate community-based nonprofits seeking to grow innovative, evidence-based solutions to challenges facing low-income communities nationwide.
- SIF Pay for Success (PFS) awards grants to eligible nonprofit organizations and state and local governments prepared to engage in PFS projects that advance and evaluate new models of funding high-quality, effective social interventions to produce measurable outcomes for individuals and communities.

SIF is a catalyst for leveraging public and private resources. In SIF Classic, intermediary organizations match their federal award dollars on a 1 to 1 basis with non-Federal funds; each of the funded nonprofits provides an additional dollar-for-dollar match, thereby increasing the return on taxpayer dollars and strengthening local support. SIF PFS intermediaries are required to match their federal grants dollar-for-dollar. The innovation contracting and financing model leverages philanthropic and private dollars to fund services up front, with government entities paying after results are generated.

Between 2010 and 2016, SIF has made awards totaling **$295 million** to **43 different intermediary grant making awardees located in 17 states and the District of Columbia**. This program has funded more than **450 nonprofit organizations** and **yielded an additional $627.5 million in funding commitments** from non-Federal funding sources. The SIF Pay for Success (PFS) program has awarded more than **$12.3 million to 65 organizations** across **25 states and the District of Columbia**.

LISC was one of 11 awardees from the inaugural SIF Classic award round. Our award was used to expand Financial Opportunity Centers (FOCs), one-stop shops that provide low-income individuals with critical services across employment services and career planning; financial coaching; and income supports access. The centers serve over 20,000 people annually to build assets, retain jobs and increase credit scores. In 2015, over 5,000 people obtained employment and over 6,000 were able to improve their financial stability by increasing their financial bottom line.

LISC also received a SIF Classic award in 2015 to implement the Bridges to Career Opportunity Program (BCO). BCO seeks to improve employment for low-income, hard-to-employ unskilled workers by partnering local organizations with employers to ensure that the academic preparation, skills training and other provided services are relevant to local industries and employment opportunities. The LISC BCO award is serving a total of 33 different organizations in eleven metropolitan areas.

With a recent PFS award from SIF, LISC is helping three local nonprofit organizations (in Michigan, Maine and Washington, D.C.) develop PFS programs and cultivate their capacity and infrastructure to demonstrate results. These programs will focus on chronic health issues, children at risk of entering foster care and disconnected youth. The PFS structure helps government to effectively and efficiently provide services through high-impact service providers, meeting the needs of many and it may reduce the societal cost for individuals and community in the future. By helping social service providers design programs, raise private capital and produce the metrics needed to demonstrate results, LISC will be continue to revitalize neighborhoods and improve outcomes for its low-income families.

We urge the Committee to include $70 million for the Corporation for National and Community Service (CNCS) Social Innovation Fund, and set aside up to 20% of these funds for Pay for Success projects.

Agency: CNCS **Recommendation:** Include $386 million for the AmeriCorps State and National Program at the Corporation for National and Community Service.

The AmeriCorps network of local, state, and national service programs engages more than 75,000 Americans and provides unique opportunities to make an intensive commitment to service. Participants in this network recruit, train and place AmeriCorps members to meet critical community needs in education, public safety, health, and the environment. For over two decades, LISC has sponsored an AmeriCorps program model that met local needs and prepared participants for careers in the non-profit sector. Our members help develop affordable housing, provide home ownership counseling to prospective first-time low-income homebuyers, and help those affected by the foreclosure crisis remain in their homes. They recruit and train resident volunteers to participate in neighborhood strengthening and community building – like forming crime watches and building collaborations between local service providers. Members also work with youth to provide opportunities to participate in sports, recreation programs and after school activities that include homework assistance and reading enrichment for underachieving students.

The outcomes of the AmeriCorps investment are substantial and merit continued federal investment; volunteerism and civic engagement are increased as communities are transformed into stable places of opportunity. The benefits stemming from AmeriCorps service go beyond the power of community change; members develop important job skills, grow their professional network, and ensure a strong workforce for our nation's future. We urge the committee to include $386 million for the AmeriCorps State and National Program.

Conclusion

We look forward to continuing conversations with you and your staff, and would welcome an opportunity to meet with you to serve as a resource. Thank you again for the opportunity to provide written testimony.