



Capacity Building, Leadership, and Innovation

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As important as federal resources are, they are only a part of the solution when it comes to rebuilding underserved communities. We rely as well on the knowledge and hard work of change agents at the local level. The federal government must do more than provide resources to support local organizations' programs and project-level investments. It must also invest directly in these organizations to support their capacity to deliver critical services, and to help them develop innovative approaches that can then be disseminated and replicated in other communities.



Capacity Building and Technical Assistance

The needs of local governments and community-based organizations are as varied as the communities they serve. Although local organizations' long-term capacity for housing and community development is critical for stable and affordable communities, the small size and lean budgets of such non-profits often mean that they lack the ability to implement some critical components of development strategies. This is true even for well-resourced city government agencies and larger non-profits, as the structure and financing of development transactions have become increasingly complicated in recent years. We need additional resources for capacity building and technical assistance programs to ensure that community-based organizations have the necessary talent and skill sets to support their work.

LISC supports:

Investing in HUD's Section 4 Capacity Building for Community Development and Affordable Housing Program

The U.S. Department of Housing and Urban Development (HUD) [Section 4](#) program strengthens the nation's lower-income urban and rural communities by bolstering non-profit community developers that build and invest in their neighborhoods. The program provides grants on a competitive basis to national intermediary community development organizations, which provide training, education, financial support, and development assistance to local community development corporations (CDCs). These funds are matched on a three-to-one basis, and then used to leverage additional private capital. Total aggregate leverage has consistently been in the range of \$20 or more for each dollar of Section 4 funding. From 2018 to 2022, Section 4 funds have been deployed by 984 CDCs and other non-profit developers, resulting in the creation or preservation of more than 42,000 homes and the attraction of over \$10 billion in investment to communities.

The Section 4 program is the sole source of funding at HUD that provides financial support and development assistance to CDCs to support their housing and community revitalization efforts in all types of communities. Unfortunately, funding for the program has been relatively flat in recent years, straining its ability to build the capacity of CDCs to respond to local needs. LISC recommends that the program receive robust appropriations to scale CDCs' affordable housing and community development activities.

Enhancing the USDA's Rural Community Development Initiative

Rural low-income areas experience distinct capacity challenges in responding to local affordable housing and community development needs. It is often difficult for these communities to apply for and receive public and private resources due to capacity constraints, which typically include small, under-resourced local governments and fewer community development organizations. The [Rural Community Development Initiative \(RCDI\) program](#) of the U.S. Department of Agriculture (USDA) is an important resource for funding non-profit housing and community development organizations that invest in housing, community facilities, and community and economic development projects in rural areas. The RCDI program is the only specific capacity-building resource provided through USDA's Rural Development programs, and it helps scale the ability of non-profits to further their community development work in rural areas. RCDI grants are competitively awarded and are capped at \$500,000. LISC supports increased appropriations for the RCDI program to build the capacity of rural communities to respond to local needs.

Increasing HUD's Technical Assistance Resources

Community development projects are often complex undertakings, requiring an understanding of how to layer multiple financing programs while staying in compliance with requirements related to the use of federal resources. HUD supports the technical assistance needs of HUD funding recipients and local communities through the [Community Compass \(CC\)](#) and [Distressed Cities and Persistent Poverty Technical Assistance \(DCTA\)](#) programs. The CC program brings all of HUD's technical assistance resources together in one program so applicants can indicate the particular topics or programs for which they would like to provide HUD-funded technical assistance to local communities. Activities funded under CC can include needs assessments, direct technical assistance, development of resources, and other supports. The DCTA program fills an important niche by building the capacity of local governments experiencing economic distress and assisting them and their non-profit partners in alleviating persistent poverty, often in smaller communities. LISC supports sufficient appropriations for the Community Compass and Distressed Cities Technical Assistance programs so HUD grantees and local communities have the support they need to utilize federal funding for their affordable housing and community development priorities.

Continuing the Rural Partners Network

The U.S. Department of Agriculture's [Rural Partners Network \(RPN\)](#) is the first all-of-government initiative to help rural communities access federal government resources and funding to create jobs, build infrastructure, and support long-term economic stability. The RPN program provides on-the-ground technical assistance and helps local stakeholders identify key issues, build local capacity, and navigate federal programs. LISC supports continued appropriations for the RPN program so rural areas have the necessary resources and expertise to meet their local needs.



Fostering Innovation

We can do more to support innovation by expanding the adoption of equitable, evidence-based policymaking across federal agencies. By increasing resources and opportunities for social innovation to occur, policymakers can support the development, refinement, and scaling of the most impactful approaches to fostering economic mobility. Over the past decade, promising approaches have [demonstrated](#) how federal policies that make investments in innovation involving partnerships among government agencies, intermediary non-profits, and private investors, alongside community-based organizations, can drive meaningful change. LISC encourages federal investments in innovation, including:

Supporting the Social Impact Partnerships to Pay for Results Act

The Social Impact Partnerships to Pay for Results Act (SIPPPRA) was enacted by the Bipartisan Budget Act of 2018, allocating \$100 million to support the launch of state and local Pay for Success (PFS) initiatives over a 10-year period. SIPPPRA offered communities across the country new resources and discretion to develop and fund evidence-based programs that drive innovation. To date, the U.S. Department of the Treasury [has made four awards](#), offering substantial support to the awarded state and local governments to support social-impact partnership projects that deliver measurable results for individuals and communities in need. This is achieved through funding and contracting practices that reward providers for producing positive program outcomes, as determined by a rigorous evaluation.

LISC supports the goals of SIPPPRA, and encourages the Treasury to consider how the application and funding mechanisms can be streamlined to support broader accessibility. This would entail evaluating the process for selecting awardees and

the extent to which this process was predictive of success, with a goal of identifying best practices for future funding opportunities. We also support the America Forward Coalition's call for Congress to advance an expanded SIPPRA program that builds on the lessons learned.

Incorporating Pay for Success Concepts Across Federal Agencies

In order to encourage the federal government to focus on achieving desirable policy and program outcomes, to direct funding toward proven practices, to move toward breaking down silos across agencies, and to incentivize innovation, LISC supports the [social innovation policy agenda](#) developed by America Forward. The core principles of this platform include, among others:

- creating new funding structures that intentionally support innovation and the development of new evidence-based approaches, including scaling and continued refinement of proven models;
- resourcing innovation, or research and development (R&D), across government to develop and scale effective interventions, and creating a federal office for outcomes-focused practices in order to align efforts;
- investing in updated data systems to support data analysis and data sharing in order to strengthen capacity for conducting evaluations and decrease their cost; and
- resourcing evaluations as a core element of the receipt of discretionary, mandatory, and even entitlement funding.

Specifically, LISC recommends the following:

- 1. Engage in outcomes-focused federal training and technical assistance.** Federal contracts for training and technical assistance (T/TA) vary in value and results. Congress could amend relevant T/TA program authorities to call for T/TA resources to be used to support: A) dissemination of evidence-based practices, including through clearinghouses and other registries; B) assistance to help service providers adopt such practices or develop an evidence base for longstanding programs; C) assistance to help service providers access and use data to enhance targeting of service delivery as well as track outcomes and improve quality of service in real time; and D) assistance for communities, including state and local governments, to explore how to sustain evidence-based practices via models like Pay for Success and similar outcomes-based contracting.

- 2. Revive and expand cross-agency demonstrations.** Congress should continue performance partnership pilots (P3) such as those awarded to sites through the federal departments of Labor, Health and Human Services, Education, and Justice focusing on disconnected youth. P3 demonstrations allow states or localities to pool certain monies they receive under multiple discretionary federal funding streams and obtain waivers from some program requirements to test innovative outcomes-based interventions. Congress should expand the authority to create these pilots to additional agencies and broaden the focus to include populations of most need in local communities. These pilots would allow communities to develop comprehensive strategies to achieve better results using federal investments through multiple programs.
- 3. Promote the use of agency-wide waivers through administrative guidance and support.** Agency-wide waivers enable federal agencies to demonstrate, replicate, and scale innovative interventions and can incorporate Pay for Success and other outcomes-based contracting approaches.
- 4. Expand federal support for outcomes-based programming and innovative funding opportunities.** The [Social Innovation Fund](#) (SIF), authorized by the Edward M. Kennedy Serve America Act of 2009, was created to catalyze the use of data-driven approaches shown to be effective in local communities. Through an intermediary structure, the AmeriCorps agency leveraged the program to mobilize public- and private-sector resources to address local and national challenges in three priority areas: economic opportunity, healthy futures, and youth development. Congress should reauthorize SIF and provide funding of \$150 million. We also recommend that Congress direct AmeriCorps to develop a comprehensive plan that leverages lessons learned and communicates awardee successes to relevant federal agencies, encouraging them to consider using SIF-supported innovations in existing programs.



National Service

National service programs provide a foundation upon which capacity building and innovation often occur. While expanding non-profits' capacity to address unmet needs across the nation, national service also creates jobs and [provides pathways to success](#) in the workforce. As a cornerstone of national service, the [AmeriCorps program](#) has provided over one million citizens with an opportunity to get things done through innovative service work in their communities. Increased investment in national service programs results in [substantial economic and social benefits](#) and helps create resilient communities of opportunity.

LISC supports strong investment in the AmeriCorps program, including:

Robustly Funding the AmeriCorps State and National Programs

Since 1994, the AmeriCorps program has placed members at non-profits, schools, public agencies, and community- and faith-based groups across the country. AmeriCorps has long benefited from bipartisan support in line with the American tradition of community service and the continued demonstration of strong economic returns on national service investments. A [recent evaluation](#) found that for each \$1 invested, the return to society, program members, and the government is \$17.30 – totaling \$17.5 billion in economic benefit. Aside from the financial returns, AmeriCorps members serve their communities, expand non-profit capacity, gain transferable skills and work experience, and strengthen local communities.

We support a top-line budget of no less than \$764 million for AmeriCorps State and National programs.

Enacting the America's Call to Improve Opportunities Now (ACTION) for National Service Act

LISC supports [America's Call to Improve Opportunities Now \(ACTION\) for National Service Act](#), sponsored by Senator Jack Reed (D-RI) in the [Senate](#) and Representative John Larson (D-CT) in the [House](#), which would equip communities with additional national and community service opportunities to help address pressing challenges. The bill would gradually expand AmeriCorps funding to support no fewer than one million member positions per year, elevate the Corporation for National and Community Service (CNCS) to a Cabinet-level department, increase the value of the AmeriCorps living stipend and education award, and exempt service benefits from federal taxes. The legislation would also create a Civilian Climate Corps at AmeriCorps to increase the capacity of local communities to fight and adapt to climate change. Passage of the comprehensive ACTION for National Service Act is essential to increasing equitable access to service opportunities and augmenting the capacity of organizations on the ground that provide services to those in need.

Supporting the Segal AmeriCorps Education Award Tax Relief Act

AmeriCorps members make a commitment to serve at non-profits, schools, public agencies, and community- and faith-based groups across the country. In return, AmeriCorps members who complete their terms of service are awarded the [Segal AmeriCorps Education Award](#), which is equivalent to the maximum value of the Pell Grant for the year in which the AmeriCorps member served (\$7,395 in 2023). Despite their invaluable contributions and service, members' education awards are currently treated as taxable income, which decreases the amount of educational resources available and creates undue administrative burdens. The Segal AmeriCorps Education Award Tax Relief Act, a bipartisan bill sponsored by Senators Michael Bennet (D-CO) and Bill Cassidy (R-LA) in the [Senate](#) and Representatives Don Bacon (R-NE) and John Larson (D-CT) in the [House](#), seeks to remedy this longstanding issue by excluding the education award from gross taxable income.

Continuing Funding for the Economic Mobility Corps

The Economic Mobility Corps (EMC), funded for the first time in the FY 2020 appropriations bill for the Community Development Financial Institutions Fund (CDFI Fund), supports the development of a new partnership between the CDFI Fund and AmeriCorps, formerly the Corporation for National and Community Service. In 2021, the [interagency partnership](#) launched by awarding more than \$2.5 million to place 156 AmeriCorps service members at certified CDFIs for two years beginning in August 2021, thereby expanding national service opportunities and bolstering the capacity of CDFIs to provide critically needed financial services.

[CDFIs foster financial inclusion](#)—filling critical gaps in the provision of financial services, products, and wealth-building opportunities for low-income consumers, small business owners, and underserved geographic areas. Despite this critical work, these organizations are often under-resourced and strained for human capital as federal funding typically restricts staff operation costs to 15 percent of funds. EMC members are strengthening the capacity of CDFIs to provide communities—often the very communities that have been overlooked by mainstream financial institutions—with the tools and resources they need to enhance neighborhoods and expand equitable access to economic opportunity.