



Legislative Fiscal Bureau

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August 4, 2009

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Commerce: Governor's Section 13.10 Request for the Use of Federal Economic Stimulus Funding for Lead Hazard Control Grants -- Agenda Item IX

REQUEST

The Governor submitted a request dated July 22, 2009, to the Joint Committee on Finance for approval of the allocation and expenditure of \$3,000,000 in federal economic stimulus funds for a lead based paint hazard control grant program administered by the Department of Commerce. This includes \$2,800,000 in appropriation s. 20.143 (2)(m) for grants and \$200,000 in appropriation s. 20.143 (2)(o) for Commerce administrative costs. While the Governor's submittal requests expenditure authority in 2008-09, a technical correction would be needed to provide expenditure authority in 2009-10 rather than 2008-09.

BACKGROUND

The federal American Recovery and Reinvestment Act of 2009 (ARRA) provided \$100 million nationwide for the Lead Based Paint Hazard Control Grant Program (LEAD program) administered by the U.S. Department of Housing and Urban Development (HUD). Lead-contaminated dust, such as from lead-based paint, is the main cause of lead exposure in young children and can lead to health problems such as learning disabilities, developmental delays, and nervous system problems. LEAD program funds are intended to control or eliminate lead-based paint hazards from homes occupied by low-income families with children under age six.

HUD awarded Commerce \$3,000,000 through a nationwide competitive grant process for the three-year period from April 15, 2009, through April 14, 2012. Commerce will grant \$2,800,000 to local agencies to identify and control or remove lead-based paint in privately-owned rental and owner-occupied housing, and will use the remaining \$200,000 (6.7%) for departmental administrative costs over the three-year period. The grant agreement between HUD and Commerce says administrative costs may not exceed 10% of the grant award.

Housing units will be eligible for funding if they house low-income families. Household income must be less than 80% of the county median income, adjusted for family size. (For example, the household income limit in La Crosse County is \$50,700 for a family of four.) Commerce estimates the ARRA grant will provide lead hazard control at approximately 240 housing units, of which approximately 200 would be owner-occupied and 40 renter-occupied dwellings. Commerce is contracting with three municipalities for \$1,144,000 of the funding, as shown below. These three municipalities were selected because they demonstrated the administrative capacity to undertake the project, a need for lead hazard control, and experience with managing federal housing rehabilitation projects.

<u>Agency</u>	<u>Grant Amount</u>	<u>Housing Units</u>
City of Appleton	\$550,000	51
Chippewa County Housing Authority	264,000	24
City of La Crosse	<u>330,000</u>	<u>30</u>
Total	\$1,144,000	105

Commerce will award the remaining \$1,656,000 in LEAD program funds to other municipalities in the state. These municipalities currently receive funds from the Department through the HUD HOME (Home Investment Partnerships Program) and small cities CDBG (Community Development Block Grant) programs, which fund various programs related to rehabilitation of owner-occupied and rental housing for lower-income households. Eligible applicants include municipalities other than the Cities of Milwaukee, Racine and Sheboygan, and the Counties of Kenosha and Rock, which received separate federal grants from HUD.

Commerce is developing procedures that will be used to distribute the funds to local housing agencies. The Department intends to announce a time period during which applications will be accepted.

The Department is working with the Department of Health Services (DHS) to implement the program. DHS is responsible for implementing a statewide lead poisoning prevention program, providing technical assistance to Commerce, coordinating outreach efforts by local health departments to select housing units for lead hazard control, and providing guidance to local agencies that will receive grants from Commerce.

Commerce, DHS, and local health departments will work with local agencies to identify properties with lead hazards occupied by income-eligible households with young children. Commerce officials indicate that selection of properties to undergo lead hazard control may include review of the following: (a) local health departments may refer households to the local participating housing agency, and may identify children with elevated blood lead levels; (b) dwellings on existing waiting lists for housing rehabilitation funds must include a child under six years old; and (c) vacant rental housing may be eligible if the landlord agrees to rent to a family with children under six years old, with household income less than 80% of the county median, and if the landlord provides a one-year lease. Specific criteria for selection of properties are still being developed. Local housing agency grantees will work with licensed contractors who will conduct the lead paint abatement, and with licensed inspectors who will inspect the dwelling before and

after lead abatement activities.

ARRA and HUD requirements specify that 50% of the funds must be spent by April 14, 2011, and 100% of funds must be spent by March 14, 2012.

Commerce plans to use the \$200,000 in federal funds set aside for the three years of the grant for departmental administrative costs. The Department intends to fund salary costs of an existing federally-funded Commerce program manager who will spend approximately 75% of her time administering the contract, training local housing agencies on requirements of the program, reporting, inspecting, performing risk assessments, establishing procedures for work specifications and bidding, training lead hazard control contractors, and managing fiscal aspects of the program. Commerce also intends to submit a request to the Department of Administration (DOA) under s. 16.54 of the statutes for a 0.5 FED position to assist in administration of the program.

ANALYSIS

Commerce is developing contractual agreements with the three municipalities identified above for a total of \$1,144,000 in ARRA LEAD program funds. Since Commerce is currently developing procedures and housing unit selection criteria for the remaining \$1,656,000, information is not currently available about the specific municipalities that will receive funds, the grant amount for each municipality, and the number of properties to undergo lead hazard control.

Committee approval of the LEAD program expenditure authority at this time would allow Commerce to sign agreements with municipalities as soon as the Department finalizes procedures and housing unit selection criteria. Alternatively, if the Committee wishes to review the Department's final procedures and selection criteria, the Committee could approve \$1,144,000 for the three specific communities and the \$200,000 for administrative expenses approved by HUD at this time. The Governor could resubmit the request to the Committee when information on the remaining \$1,656,000 for grant awards is available. Another option would be to deny the request at this time and review a complete grant recipient list at a later meeting. However, this would likely delay program implementation at several sites.

ALTERNATIVES

1. Approve the expenditure of \$3,000,000 FED in 2009-10 of federal stimulus funds for the lead hazard control program.
2. Approve the expenditure of \$1,344,000 FED in 2009-10 of federal stimulus funds for the lead hazard control program, including \$1,144,000 in appropriation s. 20.143 (2)(m) for grants and \$200,000 in appropriation s. 20.143 (2)(o) for Commerce administrative costs. The Governor could submit a request for the remaining \$1,656,000 when grant recipients are identified.
3. Deny the request.

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