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**Gov Agency:** General Agency Provisions  
Housing—Eliminate Maximum Amount for Transitional Housing Grants

**Recommendations:**

**Paper No. 137:** Alternative 2

Comments: By removing the current \$50,000 cap on individual awards, DOA thinks they will attract more applicants to the program. LFB doesn't seem to have a problem with that. In addition, a statutory change will ensure that the grants are reasonably balanced among geographic areas of the state. This seems like a fine way to spread the money around.

**Prepared by:** Julie



## Legislative Fiscal Bureau

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April 20, 1999

Joint Committee on Finance

Paper #137

### **Housing -- Eliminate Maximum Amount for Transitional Housing Grants (DOA -- General Agency Provisions)**

[LFB 1999-01 Budget Summary: Page 58, #9]

#### **CURRENT LAW**

The transitional housing grant program is administered by DOA's Division of Housing (DOH) and provides funding to counties, municipalities, community action agencies and private, nonprofit organizations to operate transitional housing and related supportive services for the homeless. The purpose of the grants is to facilitate the movement of homeless persons to independent living. Awards are made on a competitive basis once every two years to eligible applicants. Grants to an individual project may not exceed a maximum of \$50,000 for the two-year funding period. Base level funding of \$375,000 GPR annually is provided for transitional housing grants. In addition, during each fiscal year of the 1997-99 biennium, \$75,000 PR of Interest-Bearing Real Estate Trust Account (IBRETA) earnings have been allocated to supplement these base level funding resources, resulting in total funding of \$450,000 annually for the transitional housing grant program.

#### **GOVERNOR**

Eliminate the current \$50,000 individual award maximum on transitional housing grants.

#### **DISCUSSION POINTS**

1. Grants under the transitional housing program may be used to support any of the following categories of costs: (a) leasing expenses for facility-based and nonfacility-based programs; (b) operating expenses of such housing; and (c) related transportation, vocational, educational and case manager support services activities.

2. Applications for up to \$50,000 of grant funding are submitted in the spring of even-numbered years and typically include requests to support eligible costs over a two-year period. Applicants also have the option of requesting that the entire grant be awarded for eligible costs incurred in a single year period.

3. DOH staff believe that the proposal to eliminate the current \$50,000 maximum grant restriction could have a number of desirable consequences for grant applicants. The potential benefits that have been identified are:

- Making the transitional housing grant program more attractive to potential applicants. Currently, DOH sends announcements of each new grant cycle to approximately 200 potential applicants. Typically, only about three dozen of these actually submit a grant proposal. DOH believes that part of the reason for this relatively low response rate may be that the modest grant size provides an insufficient incentive for some applicants to comply with all the requirements of submitting a grant application.

- Allowing for more innovative proposals to initiate or expand services to target households. The current grant maximum may effectively bar such proposals from being submitted since the resources required to undertake such projects would typically require more than \$50,000.

- Enabling successful grantees to leverage larger amounts of federal funding. For example, the federal Department of Housing and Urban Development's (HUD's) Continuum of Care Supportive Housing Program now requires a 25% cash match, effective with projects funded for federal fiscal year (FFY) 1999. DOH staff indicate that transitional housing grant funds may be used to meet this new matching requirement and that larger transitional housing grants would have the effect allowing for the capture of even more federal dollars.

4. While these types of potential benefits may argue for the elimination of the current \$50,000 transitional housing grant maximum, the Committee should note that there are also potentially adverse consequences that could result from such a change. For example, the current pattern of distribution of grants in the state could be impacted and fewer total grants could be awarded overall. These issues are discussed in the following points.

### **Grant Distribution**

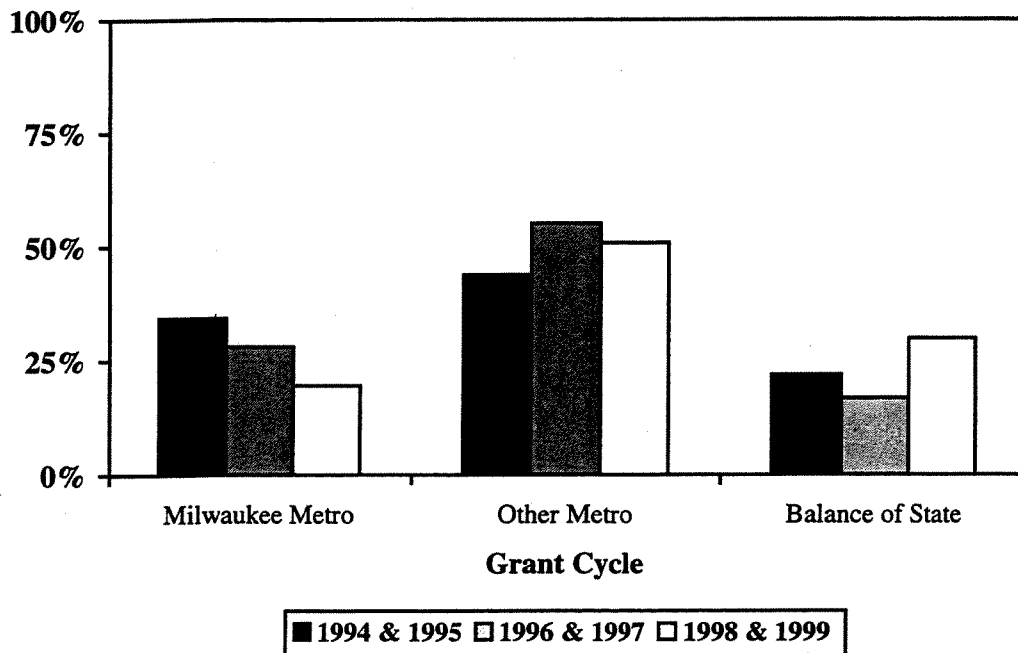
5. Currently, all transitional housing grant applicants are in competition with one another for the available funding. Submitted applications are reviewed by a team of evaluators who score each proposal on five different criteria relating to: (a) evidence that the activity is located in an area of highest homeless program and funding needs; (b) ability of the potential grantee to develop, administer and complete the activity; (c) management capabilities, including the ability to continue a grant-supported activity beyond the term of the grant; (d) availability of sufficient resources that may be used in conjunction with the grant; and (e) potential for generating the greatest amount of benefit per grant dollar for homeless households.

6. Once the evaluators have reviewed and rated all the grant applications, a summary score is determined for each proposal. The applications are then rank-ordered by total score. Grant monies are distributed commencing with the highest scored proposal and then proceed down the ranking as far as available funds will allow. Typically, a proposal that is scored high enough for grant funding will receive the full amount requested up to current \$50,000 grant ceiling. Proposals at the lower end of the ranking of projects still eligible for funding will occasionally have their projects only partially funded in order to spread the available funding to one or two more additional grantees.

7. These procedures result in grants being awarded based on the judged overall merit of the proposal. Currently, factors such as the geographical pattern of distribution of grants are not important considerations in the decision to award a grant. However, the Division does track the pattern of distribution of the grants based on the division of the state into the following three areas: (a) the Milwaukee area (Milwaukee, Ozaukee, Washington and Waukesha counties); (b) "other metropolitan areas" (Brown, Calumet, Chippewa, Dane, Douglas, Eau Claire, Kenosha, La Crosse, Marathon, Outagamie, Racine, Rock, St. Croix, Sheboygan and Winnebago counties); and (c) the "balance of state" area (all other Wisconsin counties).

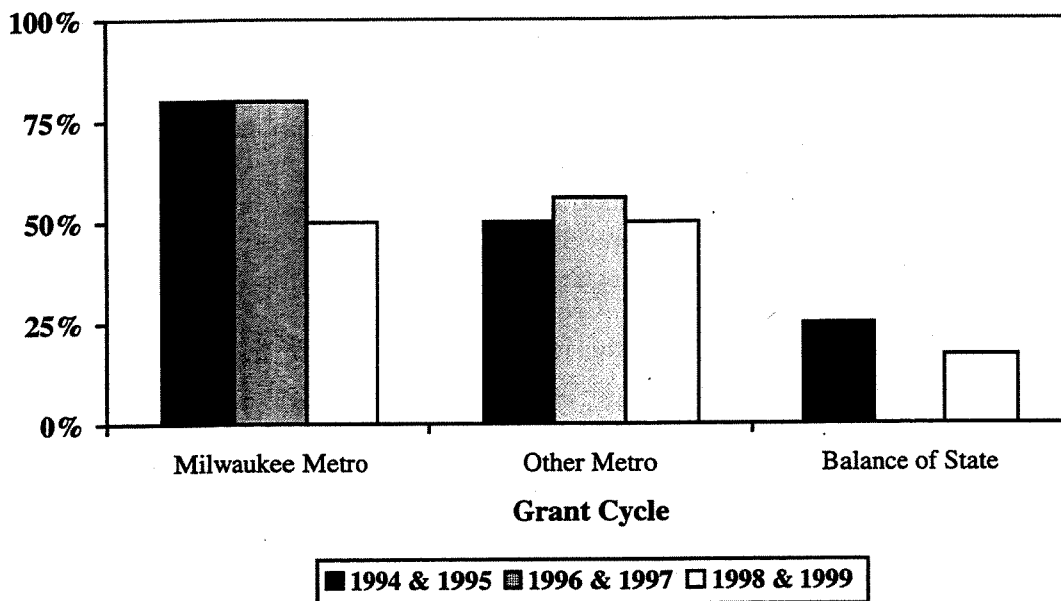
8. The following chart portrays the relative distribution of transitional housing grant funds among each of these three geographical areas of the state for the program's last three biennial funding cycles:

**Distribution of Available Funds in Wisconsin**



9. For grants awarded in each funding cycle in each of these geographical areas, the following chart shows the percentage of the awards that were actually made at the current grant maximum:

**Percentage of Awards Made at Current Law Grant Maximum**



10. It could be argued that projects funded at the current grant maximum would be those most likely to seek additional funding should the current \$50,000 grant ceiling be eliminated. Had this condition applied during the last three grant cycles, the result would likely have been a shift of additional funds primarily to highly ranked projects in the Milwaukee metropolitan area and the other metropolitan areas of the state, where from 50% to more than 75% of grants were awarded at the maximum amount allowed under current law.

11. If the Committee believes that such potential shifts in the actual pattern of distribution of transitional housing grants would be undesirable if the current grant maximum were eliminated, it could include statutory language requiring the Division to ensure that grant funds be reasonably balanced among geographic areas of the state, consistent with the quality of applications submitted. The intent of this language would be to lessen any disproportionate shift of grant monies into specific areas of the state solely as a result of the removal of the grant maximum. This proposed language is similar to current statutory and administrative rule provisions applicable to the Division's local housing organization grant program and the housing cost grants and loan program.

## Total Number of Grants

12. Under the proposed modification, the amount of funding available to the transitional housing grant program would not be adjusted if the maximum grant limitation were eliminated. As a result, with the likely awarding of grants in excess of \$50,000 to at least some applicants, the remaining pool of funds available for award to all other qualified applicants will necessarily be reduced. Consequently, compared to current law, the total number of projects receiving funding under the program would likely decline. [DOH staff indicate that some IBRETA funding might be used to further supplement the transitional housing grant program. However, in the absence of increased IBRETA earnings, such additional funds would have to be reallocated from the state shelter subsidy grant program or from the HUD emergency shelter grant program. Both of these programs also receive funding supplements from IBRETA earnings.]

13. Had the current \$50,000 maximum grant provision been eliminated under the last two funding cycles, for every 5% of the total available funding shifted to provide larger grants, it would have been necessary to defund approximately one successful grantee. For example, if 20% of the available funds had been used to fund larger grants under the 1996 and 1997 grant cycle, four of the 18 successful grantees would not have been funded (including one Milwaukee project, one other metropolitan area project and two balance of state projects). Under the 1998 and 1999 cycle, four of the 20 successful grantees would not have been funded (including two other metropolitan area projects and two balance of state projects).

14. If the Committee believes that the removal of the transitional grant \$50,000 grant maximum could result in an undesirable decrease in the number of grant applicants that could be funded, the Committee could delete the proposed change.

## ALTERNATIVES

<sup>2nd</sup> 1. Approve the Governor's recommendation to eliminate the current \$50,000 individual award maximum on transitional housing grants.

② 2. Modify the Governor's recommendation by including additional statutory language directing DOA's Division of Housing to ensure that transitional housing grant funds be reasonably balanced among geographic areas of the state, consistent with the quality of applications submitted.

<sup>K</sup>  
0 3. Maintain current law.

Prepared by: Tony Mason

MO# Alt 2

BURKE			
DECKER	Y	N	A
JAUCH	Y	N	A
MOORE	Y	N	A
PLACHE	Y	N	A
WIRCH	Y	N	A
COWLES	Y	N	A
PANZER	Y	N	A
GARD	Y	N	A
PORTER	Y	N	A
KAUFERT	Y	N	A
ALBERS	Y	N	A
DUFF	Y	N	A
WARD	Y	N	A
HUBER	Y	N	A
RILEY	Y	N	A

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