



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #117

Transfer of the Division of Housing to the Department of Commerce (Administration -- Transfers from the Department to Other Agencies)

[LFB 2003-05 Budget Summary: Page 35, #2 and #6]

CURRENT LAW

The Division of Housing and Intergovernmental Relations in the Department of Administrations (DOA) is responsible for state housing programs, including administration and distribution of loans and grants for the following programs:

Housing Cost Grants and Loans. The Division distributes grants to eligible governmental housing authorities and to organizations to fund grants and loans to low- or moderate-income persons for defraying principal and interest on mortgages, closing costs, insurance and related costs. Base level funding for the program is \$2,800,300 GPR annually.

Local Housing Organization Assistance. The Division provides grants to local housing organizations for salaries, fringe benefits, or administrative operating costs to assist these organizations in developing their capacity to provide new or expanded housing and counseling opportunities for low- or moderate-income households. Base level funding for the program is \$500,000 GPR annually.

Transitional Housing Grants. The Division provides grants to organizations, community action agencies, and county or municipal governments for operating transitional housing and support services for the homeless. Base level funding for the program is \$375,000 GPR annually.

State Shelter Subsidy Grants. The Division distributes state shelter subsidy grants to organizations, community action agencies, Native American tribes, housing authorities and county or municipal governments for renovating, developing or expanding homeless shelters.

Grants may not exceed 50% of the operating costs of the shelter facility. Base level funding for the program is \$1,131,000 GPR annually.

Homeless Grants from Interest Bearing Real Estate Accounts (IBRETA). The Division administers the IBRETA program, which makes grants funded from earnings on interest-bearing real estate common trust accounts to organizations that provide shelter to homeless individuals. There is no base level funding associated with this program.

Federal Housing Assistance Programs. The Division oversees a variety of federally supported housing programs, including administering federal awards from HUD under the Stewart B. McKinney Homeless Assistance Act and federal funds for the Emergency Shelter Grant and Continuum of Care Supportive Housing programs. Base level funding for these programs is \$35,602,000 FED and 6.25 FED positions annually.

The Division also operates the Home Investment Partnership Program, or HOME program. Federal HOME funding supports housing programs designed to support home ownership opportunities, rental rehabilitation, rental housing development, accessibility improvements, and weatherization-related repairs. The Division administers the housing rehabilitation component of the federal small cities community development block grant (CDBG) program. Funds for this program are allocated to the Division from the Department of Commerce.

Low-Income Energy and Weatherization Assistance. DOA currently administers low-income energy and weatherization assistance programs. These functions are budgeted under the Division but generally are administered with programs operated through the agency's Division of Energy. Base level funding for this function is \$189,500 GPR, \$74,085,100 FED, and \$10,000,000 PR and 2.0 GPR and 26.9 FED positions annually.

Program Administration and Other Responsibilities. The Division has a variety of other responsibilities relating to housing, including: (1) requesting certain surplus real property, at no cost, from other state agencies; (2) preparing a comprehensive five-year state housing strategy plan for the federal Department of Housing and Urban Development; and (3) reporting on the impact of any bill on state housing policy, if the bill affects the development, construction, cost or availability of housing in the state. Base level funding for the general administration of the housing function is \$530,300 GPR and 7.8 GPR positions annually.

Wisconsin Fresh Start. A state Operation Fresh Start program ("Wisconsin Fresh Start") was begun under the Division as a result of a directive from the Governor in the 1998-99 fiscal year. Since that time, the program has been supported from a variety of funding sources, including WHEDA general surplus reserves, Americorps funds, oil overcharge restitution funds and gifts and grants. The state program is based on a long-running Madison program that is designed to provide at-risk young people with education, employment skills and career direction leading to economic self-sufficiency. The purpose of the state program is to establish comparable projects throughout the state using the Madison program as the model.

GOVERNOR

Repeal the statutory requirement that a Division of Housing be created under DOA with an unclassified administrator. Transfer \$5,336,600 GPR, \$35,602,000 FED, and \$6,822,600 PR and 7.8 GPR, 6.25 FED, and 3.95 PR positions annually and most of the housing-related functions of the Division of Housing and Intergovernmental Relations to the Department of Commerce, effective 30 days after the publication of the biennial budget act. The Division's 1.0 GPR unclassified administrator position authority would not be transferred to Commerce, but would be retained under DOA.

Retain the low-income energy and weatherization assistance programs in DOA where they would be administered and budgeted under the Division of Energy. A total of \$189,500 GPR, \$74,085,100 FED, and \$10,000,000 PR and 2.0 GPR and 26.9 FED positions annually would be retained for these activities. Shift \$60,900 FED annually from fringe benefits to supplies and services from funds that are currently provided under the federal aid for state operations appropriation which would be split under the Governor's provisions to separately fund those programs supporting low-income energy assistance (within DOA) and housing programs (transferred to Commerce).

Specify that 30 days after the publication of the bill, the housing function's assets and liabilities, tangible property, contracts, rules, orders and pending matters would be transferred to Commerce and the contracts, rules, and orders would generally remain in effect until modified or rescinded by Commerce. Provide that all full-time equivalent positions in DOA that perform housing-related functions, as determined by the Secretary of DOA, would be transferred to Commerce. Specify that all transferred employees would retain the same rights and employee status in Commerce that they enjoyed in DOA immediately prior to transfer, and no transferred employee who had attained permanent status in his or her classified position would be required to serve a new probationary period.

Specify that during the period between the general effective date of the bill and 30 days after that date, the appropriations of DOA's Division of Housing and Intergovernmental Relations provided for the 2002-03 fiscal year would remain in effect, except that DOA could not expend or encumber more than one-twelfth of the amounts appropriated for the 2002-03 fiscal year from each appropriation.

Transfer the operation of the Wisconsin Fresh Start program from the Division to the Department of Workforce Development (DWD).

DISCUSSION POINTS

1. The Division of Housing and Intergovernmental Relations administers most of the housing programs in the DOA. The Division was created in 1989 under provisions of 1989 Wisconsin Act 31 (the 1989-91 biennial budget act). The new Division was charged with improving housing opportunities for low- and moderate-income households in Wisconsin.

2. At the time the Division was created, the Wisconsin Housing and Economic Development Authority (WHEDA) administered all statewide housing programs, with the exception of veterans housing programs (administered by the Department of Veterans Affairs) and the small cities community development block grant (CDBG) program (administered by the Department of Development (DOD), which existed at the time).

3. Initially, the Governor had recommended that state housing functions be consolidated under DOD, in light of the agency's involvement in a number of community development programs, including the main street program, the development zones program and the housing portion of the CDBG program. In the Finance Committee's deliberations on the creation of a housing function under DOD, consideration was also given to assigning the state housing function to the Department of Health and Family Services, to DOA and to creating a separate Department of Housing.

4. Ultimately, it was decided to assign the housing function to DOA. In discussions at the time, it was noted that although DOA was largely an administrative agency, there were programmatic functions assigned to the agency (at the time, these included the Division of Emergency Government, the state energy function and the coastal management function). Consequently, including another programmatic division under DOA was not viewed as unprecedented. However, it was noted at the time that state agencies generally tend to advocate for their programs, and since DOA was largely an administrative agency, it might not be an advocate for housing programs and solutions to housing problems to the extent that proponents of state housing programs would expect.

5. When Act 31 created the Division of Housing in DOA, it established two new housing grant programs (a housing cost reduction grant program and a loan and grant program for local housing organizations). Through subsequent state and federal legislation, a variety of additional programs have been assigned to DOA. Then, during the 1999-01 biennium, following the enactment of public benefits legislation, some of the Division's housing-related programs were shifted to the Division of Energy. These programs were the Low-Income Home Energy Assistance program, the Low-Income Weatherization program and the Lead Hazard Reduction program. These programs under the Division of Energy would not be subject to transfer to Commerce under the Governor's recommendation.

6. The following table enumerates the major housing programs currently administered by DOA. Those programs under the Division of Housing and Intergovernmental Relations would be transferred to Commerce, while those programs under the Division of Energy would be retained in DOA. For each program or activity, the state or federal statute creating the function is also indicated.

Housing-Related Functions in DOA

| Division of Housing and Intergovernmental Relations | Enabling Legislation or Action |
|--|---------------------------------------|
| Local Housing Organization Grants | 1989 Act 31 |
| Housing Cost Grants and Loans Program | 989 Act 31 |
| Federal HOME Programs | P.L. 101-625 |
| Transitional Housing Grants | 1991 Act 39 |
| State Shelter Grant Program | 1991 Act 39 |
| Emergency Shelter Grant Program | 1991 Act 39 |
| Continuum of Care Supportive Housing | P. L. 100-77 |
| Community Development Block Grant (CDBG)—Housing | 1991 Act 39 |
| Interest-Bearing Real Estate Trust Accounts | 1993 Act 33 |
| Wisconsin Fresh Start | Executive Directive |
| Housing Opportunities for Persons with AIDS | P. L. 102-550 |
| | |
| Division of Energy and Public Benefits | |
| Low-Income Home Energy Assistance Program (LIHEAP) | 1995 Act 27 |
| Low-Income Weatherization | 1991 Act 39 |
| Lead Hazard Reduction Program | P. L. 91-695 |

7. Commerce is the state's designated recipient of federal funding for the small cities Community Development Block Grant (CDBG) program. Commerce currently contracts directly with DOA's housing function to operate the CDBG housing subprogram and transfers funding to DOA for this purpose. Commerce also administers economic development, public facilities, public facilities for economic development, public facilities planning grants, blight elimination and brownfield redevelopment, emergency grant, and technical assistance and planning subprograms.

8. The principal rationale for transferring most of DOA's housing programs to Commerce relates to that agency's current involvement in a number of similar infrastructure development-type programs. The proposed realignment would complement the current array of programs administered by Commerce. It will be recalled that that provisions of 2001 Wisconsin Act 16 already transferred the regulation of mobile homes from DOA's Division of Housing to Commerce.

9. Further, it could also be argued that since Commerce already distributes other economic and regional development grants for businesses, industries, and public facilities, the proposed transfer of housing functions would allow Commerce to fully integrate planning for entire communities. As the DOA programs become integrated into the mix of programs administered by Commerce, there would also be the potential for greater program efficiencies. Under the proposed transfer, however, no net cost or position reductions are realized.

10. Alternatively, it could be argued that housing programs should remain in DOA where they have operated successfully since 1989. Housing programs are a primary focus of DOA's Division of Housing and Intergovernmental Relations. The merger of these programs into a larger mix of community development programs in Commerce might result in a lower profile for these programs, especially if other agency development priorities were viewed as more central to the agency's core mission. Further, it could be argued that a number of housing assistance programs are linked to benefits provided under DOA's low-income energy assistance and weatherization programs. While consultation would undoubtedly continue to occur between the programs under a transfer, the degree of direct interaction between the two programs would be lessened.

11. There are no associated program or funding changes associated with any of the housing programs subject to the proposed transfer. Consequently, the Committee's decision can be based on its assessment of the relative merits of the arguments presented above. If the Committee concludes that, on balance, community development efforts would be better coordinated and would be more comprehensive if the DOA housing function were transferred to Commerce, it could approve the Governor's recommendation. However, if the Committee believes that the argued advantages are not sufficient to change the current organizational arrangement for housing programs and that housing programs as a policy and funding priority might suffer if they were merged with other Commerce community development activities, it could deny the Governor's recommendation and retain the housing function in DOA.

12. *Wisconsin Fresh Start.* If the Committee chooses to approve the transfer of housing functions from DOA to Commerce, the Committee should also consider transferring the Wisconsin Fresh Start program as part of this action. This program undertakes housing rehabilitation projects to provide at-risk young people with education, employment skills, and career direction leading to economic self-sufficiency. There is no statutory language or base level funding associated with the program.

13. The Governor's original intent was to transfer this program to the Department of Workforce Development. However, in Committee action on May 8, 2003, relating to the consolidation of youth employment programs under DWD [Paper #835], it was decided to delete remaining funding and staff for the Wisconsin Conservation Corps and to retain Wisconsin Fresh Start in DOA.

14. Since the current Wisconsin Fresh Start program is coordinated by DOA staff who would be transferred to Commerce, it would be appropriate to transfer the program to Commerce. In order to continue the program, the Committee should indicate a statement of its intent that this transfer occur.

15. *Unclassified Position Internal Transfer.* Although the Governor's recommendation would repeal the statutory requirement that a Division of Housing headed by an unclassified administrator be established under DOA, the associated unclassified administrator position authority would not also be repealed. Further, the enumerated number of unclassified administrator positions for DOA would also not be reduced as a result of the transfer.

16. No unclassified division administration position would be authorized under Commerce. Under the transfer, if Commerce chooses to place its new housing functions under an unclassified division administrator, it would be required to reorganize its existing divisions in order to free an additional division administrator position, or the agency would be required to seek legislative approval for an additional unclassified position and the associated statutory enumeration of an additional division administrator.

17. DOA indicates that its retained unclassified administrator would oversee a newly created Office of Intergovernmental Relations, with an estimated budget of \$6.3 million and 26.0 FTE positions related to the following programs: (a) coastal management; (b) the Wisconsin Land Council; (c) the Wisconsin Land Information Board; (d) comprehensive planning grants; (e) a demographic services center; (e) municipal boundary and plat review; and (f) an intergovernmental services section.

18. The Department would argue that the additional unclassified administrator would provide it with the flexibility to reorganize the agency following a significant transfer of functions. Further, additional responsibilities might be added to the new unit.

19. Alternatively, it could be argued that the Department should not automatically retain the unclassified division administrator authority, especially after the transfer of a significant function from the Department. Normally, the director or an internal office in an agency is not accorded division administrator status. The Committee could conclude that it would be preferable to review the agency's need for an additional unclassified administrator position once any reorganization has been effected and the agency's administrative needs have been assessed. At that time, the agency would be free to seek statutory authority to appoint an additional unclassified division administrator, if warranted, along with the necessary position authorization.

ALTERNATIVES

1. Approve the Governor's recommendation to transfer the Division of Housing (including the Wisconsin Fresh Start program) to the Department of Commerce.

2. Delete the provision and retain housing functions under DOA.

3. *In addition to Alternative 1*, convert 1.0 GPR unclassified position to classified status and reduce the number of authorized unclassified division administrators for DOA under the bill from 13 to 12.

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