



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873  
Email: [fiscal.bureau@legis.wisconsin.gov](mailto:fiscal.bureau@legis.wisconsin.gov) • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #118

### Housing Grants and Loans (Administration -- Housing and Homelessness)

[LFB 2021-23 Budget Summary: Page 30, #4]

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#### CURRENT LAW

Under current law, the homeless prevention program (HPP) provides \$1,515,000 GPR annually to local agencies to help residents at risk of eviction or foreclosure to remain in their homes. Types of assistance provided may include security deposits, short-term rental subsidies, short-term mortgage payments, property tax payments, and utility costs.

#### DISCUSSION POINTS

1. Access to stable housing is hindered by factors such as poverty, loss of income, domestic violence, mental illness, natural disaster, and a shortage of housing supply. According to the U.S. Department of Housing and Urban Development (HUD), on a given day in 2020, Wisconsin had 4,515 people sleeping in places not meant for human habitation, such as cars, sidewalks, benches, and parking garages. In 2020, a total of 11,624 people stayed in emergency shelters in Wisconsin. Of these, 4,866 were located in Brown, Dane, and Milwaukee counties, and 6,758 were located in other parts of the state. In 2018-19, 18,349 children attending Wisconsin public schools lacked a fixed, regular, and adequate nighttime residence.

2. The COVID-19 pandemic further challenged service providers to meet increased demand for assistance and safety considerations. The federal American Rescue Plan Act of 2021 provides \$2.5 billion in direct payments to Wisconsin to respond to the pandemic. On May 10, 2021, the U.S. Department of the Treasury indicated that funds may be used for investments in housing and neighborhoods, such as services to address individuals experiencing homelessness, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity. The one-time allocation must be used prior to December 31, 2024, and therefore would not provide ongoing program support.

3. Under 2017 Act 74, the Interagency Council on Homelessness was established to coordinate statewide policies to address homelessness. The Council began meeting in February, 2018, and, in November, 2018, published a statewide plan with recommendations to prevent and end homelessness. Former Lieutenant Governor Kleefisch was appointed as chairperson of the Council prior to its inaugural meeting and served until the end of her term. Governor Evers now serves as chairperson.

4. As introduced, 2021 Assembly Bill 68/Senate Bill 111 would provide funds for two housing programs under DOA's housing grants and loans biennial appropriation, as described below.

**Homeless Prevention Program**

5. The bill would provide an additional \$1,000,000 GPR annually for HPP. The program currently provides \$1,515,000 GPR annually to local agencies as a match for federally-funded emergency solutions grants. Funded activities include: (a) rental assistance to households in the form of security deposits, short-term rental subsidies, and utility costs; (b) foreclosure prevention, including payment of an overdue mortgage loan, property taxes, and utility costs, if the homeowner shows the ability to make future payments; and (c) administrative funds (up to 15%).

6. In 2020-21, DOA awarded \$1,515,000 to 23 agencies through federally-designated Continuum of Care (CoC) organizations. Wisconsin has four CoC organizations: the Homeless Services Consortium of Dane County, the Milwaukee Continuum of Care, the Racine Continuum of Care, and the Wisconsin Balance of State Continuum of Care. The federal government designates CoC organizations to promote community-wide planning and strategic use of resources to address homelessness. Each year, DOA notifies each CoC organization of its eligibility amount. The CoC then works with local agencies in its jurisdiction to apply for HPP grants. In 2020-21, grants were distributed as follows: (a) \$331,100 to agencies in the Milwaukee metropolitan area; (b) \$626,600 to agencies in other metropolitan areas; and (c) \$557,300 to agencies in other parts of the state. The table below shows HPP grant awards from 2011-12 to 2020-21.

**Homeless Prevention Program Grants, 2011-12 to 2020-21**

<u>Fiscal Year</u>	<u>Grantees</u>	<u>Amount</u>
2011-12	40	\$1,015,000
2012-13	45	1,515,000
2013-14	31	1,527,900
2014-15	44	1,503,700
2015-16	37	1,515,000
2016-17	25	1,515,000
2017-18	24	1,515,000
2018-19	22	1,499,800
2019-20	24	1,515,000
2020-21	23	1,515,000

7. In its 2018 plan, the Council recommended that HPP be increased by \$500,000 per year. According to the plan, "an analysis of the causes of homelessness showed that a temporary income

shock was a greater factor than the cost of rent. Correcting for that temporary setback (by providing short-term financial assistance) can lead to positive results," such as a decrease in evictions. Under 2019 Act 9, an additional \$500,000 GPR per year was reserved for HPP in the Joint Committee on Finance's supplemental appropriation. The funds have not yet been transferred to DOA. If the funds are not transferred by June 30, 2021, the money will lapse to the general fund.

8. The federal Coronavirus Aid, Relief, and Economy Security (CARES) Act provided a one-time increase of \$32.4 million for the emergency solutions grant program, the federal counterpart to HPP and the state's housing assistance program. The Department indicates that the one-time supplement has been obligated through an agreement with HUD and must be utilized to prevent, prepare for, or respond to the pandemic. According to the Council, \$12.7 million was distributed to local agencies in October, 2020, and \$19.7 million is scheduled to be allocated in the spring of 2021. To date, no funds from other federal Coronavirus legislation have been designated for the program.

9. The Department indicates that, based on demand from local service agencies, there is sufficient need to provide an additional \$1.0 million per year in HPP grants. Providing additional funds for HPP could help more Wisconsin residents remain in their homes and reduce the number who become homeless. Given demand for assistance, the Committee could approve the recommendation to provide an additional \$1.0 million annually for HPP. [Alternative A1]

10. In March, 2021, 2021 AB 146/SB 185 was introduced. The legislation would increase funding for HPP by \$500,000 GPR per year, starting in 2021-22. The Committee could provide \$500,000 annually for HPP, as recommended by the Council and authorized under AB 146/SB 185. If this lesser amount were provided, DOA could prioritize projects based on the quality of applications and an assessment of community need. [Alternative A2]

11. Alternatively, the Committee could decide to take no action with regard to HPP, thereby maintaining current funding of \$1,515,000 GPR annually. The program's allocation could be modified separately through passage of AB 146/SB 185. [Alternative A3]

### **Diversion Grant Program**

12. The bill would also provide \$500,000 GPR annually to create a diversion grant program under HPP. According to the Interagency Council, homelessness is often caused by a sudden and temporary loss of income. To provide support during income shocks and prevent eviction, the Council recommended the creation of a diversion program under HPP. The program would provide case management, mediation, legal assistance, and other services to facilitate residents' ability to remain in their homes.

13. Preventing eviction can reduce current and future episodes of homelessness. If a household is evicted, the household may have difficulty securing housing in the future because landlords are often unwilling to rent to a tenants with a history of evictions. Therefore, eviction-prevention services can reduce the likelihood that a household experiences homelessness and can avert future costs to the state associated with providing additional housing and homelessness services.

14. In 2018, the Council recommended that the diversion grant program be provided

\$300,000 annually. Under 2019 Act 9, \$300,000 GPR per year was reserved for diversion grants in the Joint Committee on Finance's supplemental appropriation. The funds have not yet been transferred to DOA. If the funds are not transferred by June 30, 2021, the money will lapse to the general fund.

15. During the COVID-19 pandemic, many households experienced a temporary loss of income due to the closure of restaurants, manufacturing facilities, and other workplaces. While the economy does continue to recover, it could be argued that the need for diversion services is greater now than the Council indicated in 2018. Therefore, the Committee could create a diversion grant program under the existing statutory authority of HPP and provide \$500,000 GPR annually. [Alternative B1]

16. Assembly Bill 146/Senate Bill 185 would also provide funding for diversion grants and would allocate \$300,000 GPR annually starting in 2021-22. The legislation would require DOA to ensure that funds are reasonably balanced among geographic areas served by each CoC organization. The legislation would also create statutory language to establish a separate diversion program. If the Committee wished to create the program, and direct program implementation through statutory language changes, it could approve the diversion program provisions of AB 146/SB 185. [Alternative B2]

17. Alternatively, the Committee could take no action with regard to the creation of a diversion program. The 2021-23 budget bill would not include funding for diversion grants, although the program could be created separately through passage of AB 146/SB 185. [Alternative B3]

## ALTERNATIVES

### A. Homeless Prevention Program

1. Provide \$1,000,000 annually to DOA's housing grants and loans appropriation for the homeless prevention program.

ALT A1	Change to Base
GPR	\$2,000,000

2. Provide \$500,000 annually to DOA's housing grants and loans appropriation for the homeless prevention program.

ALT A2	Change to Base
GPR	\$1,000,000

3. Take no action with regard to the homeless prevention program.

**B. Diversion Grant Program**

1. Provide \$500,000 annually to DOA's housing grants and loans appropriation to establish a diversion grant program.

<b>ALT B1</b>	<b>Change to Base</b>
GPR	\$1,000,000

2. Provide \$300,000 annually to DOA's housing grants and loans appropriation to establish a diversion grant program. In addition, incorporate related provisions of 2021 AB 146/SB 185 as follows: (a) authorize DOA to make grants or loans to assist persons or families of low- or moderate-income in obtaining and participating in diversion programming; (b) define diversion programming as "short-term intervention that supports persons or families of low or moderate income in identifying immediate, safe housing arrangements, other than a temporary shelter, including by utilizing conflict resolution and mediation skills to reconnect the individuals or families to their support systems"; and (c) require DOA to ensure that the funds are reasonably balanced among geographic areas of the state that correspond to the geographic areas served by each Continuum of Care organization designated by HUD, consistent with the quality of applications submitted.

<b>ALT B2</b>	<b>Change to Base</b>
GPR	\$600,000

3. Take no action with regard to creating a diversion grant program.

Prepared by: Angela Miller