

Administration

Housing and Homelessness

(LFB Budget Summary Document: Page 29)

LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Affordable Workforce Housing Grants (Paper #115)
2	Shelter for Homeless and Housing Grants (Paper #116)
3	Housing Quality Standards Grant Program (Paper #117)
4	Housing Grants and Loans (Paper #118)
5	Homeless Veteran Rental Assistance Program (Paper #119)
6	Homeless Case Management Services (Paper #120)



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May, 2021

Joint Committee on Finance

Paper #115

Affordable Workforce Housing Grants (Administration -- Housing and Homelessness)

[LFB 2021-23 Budget Summary: Page 29, #1]

CURRENT LAW

The Department of Administration (DOA) administers a number of programs designed to address homelessness and ensure residents have access to affordable housing. The Wisconsin Housing and Economic Development Authority (WHEDA) seeks to improve access to housing for low- to moderate-income households in Wisconsin by offering financing for single- and multifamily properties.

DISCUSSION POINTS

1. Workforce housing is designed to meet the needs of low- to middle-income households who have difficulty securing affordable housing near employment opportunities. Generally, the term workforce housing refers to units that are affordable for families earning from 80% to 100% of median income (\$49,400 to \$61,700 in Wisconsin). Under state law, housing is considered affordable if it costs no more than 30% of a household's gross income.

2. Demand for housing in Wisconsin is greater than the supply of housing available, which has led to higher prices and a shortage of affordable homes. A 2019 report for the Wisconsin Realtors Association (WRA), written by Dr. Kurt Paulsen at the University of Wisconsin-Madison, analyzed the supply shortage as follows:

"If housing is not produced to meet demand, housing prices go up and families have difficulty finding housing they can afford in communities where they want to live. If an area adds more households than housing units, vacancy rates decline, prices rise, and families have difficulty accessing housing. If developers and builders are unable to secure building sites and

permission to meet the increased housing demand in an area (supply constraint), housing is being 'under-produced,' resulting in a 'housing gap.'"

3. In 2020, the Legislative Council convened a study group on workforce housing. According to the study group, Wisconsin home prices have increased by 25% in the last five years, in part because construction has not kept pace with population growth. The average number of building permits issued each year is approximately half what it was prior to the 2008 recession (about 16,600 per year, a decrease from 35,900 per year). Since 2010, the state has added 107,100 households, but only 99,700 housing units. Meanwhile, data from the U.S. Census Bureau shows that commute times have increased, indicating that residents are living further from work.

4. Housing supply has been suppressed in part because of escalating construction costs and restrictive local land use regulations. Nationwide, construction costs for new homes increased by 40% between 2005 and 2020, compared to a 33% price increase for all consumer goods and services over that same period. The rise in costs is attributed to an increase in material prices, such as the price for lumber, and a labor shortage in the building trades. In addition, local restrictions, such as large minimum lot sizes and prohibitions on non-single-family developments, may reduce the supply of available land and new multifamily housing units.

5. An analysis by the National Low-Income Housing Coalition, using U.S. Census Bureau data, concluded that Wisconsin's housing shortage disproportionately impacts the lowest income households. Wisconsin has an estimated 188,100 households earning less than 30% of median income, but only 69,000 homes are considered affordable for those families. For the lowest-income households, an estimated 86% spend more than 30% of household income on rent. On the other hand, for households earning between 80% and 100% of median income, less than five percent spend more than 30% of income on rent.

6. The federal American Rescue Plan Act of 2021 provides \$2.5 billion in direct payments to Wisconsin. 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, affordable housing development, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity. Funds must be used prior to December 31, 2024.

7. Assembly Bill 68/Senate Bill 111 would create an affordable housing grant program and provide one-time funding of \$50 million GPR in 2021-22. Grants would be awarded to municipalities to increase the availability of affordable workforce housing. The Department of Administration would be authorized to establish eligibility requirements and program guidelines.

8. According to DOA, the recommended \$50 million allocation was sized to make a significant impact for municipalities across the state. The Department indicates it would use federal rates, promulgated by the U.S. Department of Housing and Urban Development for its mortgage insurance program, to establish per-unit subsidy rates. Given an average federal subsidy rate of \$82,000 per unit, a one-time appropriation of \$50 million would construct approximately 600 units. The funding level was based on similar efforts in other states, such as a \$40 million affordable housing initiative implemented in Minneapolis in 2019. The Minneapolis initiative includes funding for the

city's affordable housing trust fund, rental assistance, and rental rehabilitation loan program.

9. The bill would authorize DOA to award grants to municipalities "for the purpose of increasing the availability of workforce housing." The Department intends to prioritize funding for projects that provide capital subsidies for affordable housing developments; acquire and operate moderate-cost rental units; and create, preserve, and expand the supply of lower-cost housing in resource-rich areas. These projects would be aligned with the WRA report, which recommended the state build more housing, diversify the types of housing available, and rehabilitate older housing stock to increase supply. Given that the program would offer municipalities flexible resources to address the housing shortage, the Committee could consider providing \$50 million GPR in 2021-22 to DOA to provide grants to municipalities to support the development of workforce housing [Alternative 1]. If, instead, the Committee provided \$25 million GPR in 2021-22 for workforce housing grants, funding would support the construction of approximately 300 units [Alternative 2].

10. WHEDA provides financing for low- and moderate-income single- and multifamily properties primarily through issuance of mortgage revenue bonds, which are repaid with principal and interest payments received from WHEDA lending program participants. Bond issuance for authorized single-family programs is generally unrestricted, and WHEDA issues additional bonds as necessary to meet demand for its single-family mortgage products. WHEDA loans for single-family housing include borrower income limits that vary by program or loan type, but generally specify a limit of 115% of state or area median income.

11. In the case of multifamily financing, WHEDA issues bonds that typically require participating properties to set aside 20% of units for persons at or below 50% of county median income, or 40% of units for persons below 60% of county median income. Bonds are supported by WHEDA's capital reserve fund, which allows WHEDA to issue bonds of up to \$800 million with backing from the fund. As of June 30, 2020, the amount of outstanding bonds backed by the capital reserve totaled \$633 million.

12. WHEDA also administers the state low-income housing tax credit, under which WHEDA awards \$7 million in state housing tax credits annually. Credits are claimable for six years, for total cost of \$42 million annually once the program is fully implemented. (The program was created in 2018 and is phasing in over six years.) Credits are awarded through a competitive application process, and awards are limited to \$1.4 million per project. Developments receiving awards must set aside 20% of units for persons at or below 50% of county median income, or 40% of units for persons below 60% of county median income.

13. Annually, WHEDA develops a "Dividends for Wisconsin" plan, which outlines how surplus funds accruing from Authority revenues in excess of operations costs during the previous fiscal year will be allocated among its programs for single-family and multifamily housing, economic development, and emergency and transitional housing. Under its 2019-20 Dividends for Wisconsin plan, the Authority allocated \$5 million to support workforce housing in rural counties, and has committed to allocating an additional \$5 million in subsequent Dividends cycles.

14. WHEDA's \$10 million allocation of funding will support WHEDA's three-pronged approach to address workforce housing issues. First, the Authority has modified its single-family

rehabilitation loan program to offer second mortgages of up to \$50,000 to support rehabilitation of existing homes and improve moderate-income housing stock in urban and rural areas. Second, the Authority has modified its allocation criteria for federal and state low-income housing tax credits to increase allocation of credits to rural areas, and has targeted available multifamily funding to support financing of these rural housing tax credit projects.

15. Finally, the Authority is conducting a pilot project with the communities of Door County, Marinette County, and the greater Chequamegon Bay area. Under the pilot project, WHEDA is working with these communities to identify and address issues impacting access to and affordability of workforce housing in Wisconsin. WHEDA is currently analyzing findings from its first engagement sessions with Door County lenders, developers, school districts, local governments, employers, and affordable housing experts, and developing several pilot project proposals tailored to address the challenges identified. As WHEDA continues to work with each community, it intends to develop a statewide rural workforce housing strategy consistent with its findings and successful pilot programs.

16. Given WHEDA's ongoing efforts to address workforce housing issues through engagement with local communities, identification and analysis of current workforce housing challenges, design and implementation of pilot programs to address these challenges, and provision of financing for single-family and multifamily housing to improve access and affordability of low- to moderate-income housing, the Committee could consider allocating funds to support WHEDA workforce housing initiatives. Under such an alternative, the Committee could match WHEDA's existing allocation by reserving \$10 million GPR in the Committee's supplemental appropriation and directing WHEDA to submit a proposal to the Committee for use of these funds [Alternative 3]. As implementation of the workforce housing pilot is ongoing, WHEDA could submit a request to the Committee for release of funding once it has completed evaluation of pilot projects and identified strategies ready for statewide implementation.

17. The Committee could also consider directing WHEDA to allocate additional funding from its surplus reserves to support continued program development and financing related to its workforce housing initiatives. As of February 28, 2021, preliminary year-to-date financial statements estimate approximately \$10.7 million in surplus reserves has accrued for use in the Authority's 2021-22 Dividends for Wisconsin plan. However, this amount could fluctuate substantially based on market, operational, or other factors. A final year-end surplus amount will not be determined until several weeks after the 2020-21 fiscal year ends.

18. Allocation of Dividends funding allows WHEDA to create new programs and provide additional funding necessary to maintain existing programs across its single-family, multifamily, and economic development programs. To ensure availability of Dividends funding for other ongoing Authority needs, the Committee could consider requiring the Authority to allocate 50%, or an additional \$7.5 million, whichever is less, of its surplus under the 2021-22 Dividends for Wisconsin plan to continue implementation efforts and support single-family and multifamily financing related to its workforce housing initiative [Alternative 4].

19. Depending on the findings and resulting program proposals from WHEDA's pilot program efforts, WHEDA may likely be able to issue bonds under existing program authority to

implement such programs and finance development of additional workforce housing statewide. Further, WHEDA is expected to continue to reserve a portion of state affordable-housing tax credits for rural areas. Given WHEDA's existing authority to issue bonds to support single- and multifamily housing, and the Authority's continuing allocation of housing tax credits, the Committee could take no action [Alternative 5]. It should be noted AB 68/SB 111 includes a provision to increase the state low-income housing tax credit program's allocation to \$10 million per year and make the credit claimable for up to 10 years. Changes to the state low-income housing tax credit could be considered in a subsequent Committee executive session.

ALTERNATIVES

1. Provide \$50 million in 2021-22 to the Department of Administration for grants to municipalities supporting the development of workforce housing. Authorize DOA to establish eligibility requirements and program guidelines for the program.

ALT 1	Change to Base
GPR	\$50,000,000

2. Provide \$25 million in 2021-22 to the Department of Administration for grants to municipalities supporting the development of workforce housing. Authorize DOA to establish eligibility requirements and program guidelines for the program.

ALT 2	Change to Base
GPR	\$25,000,000

3. Allocate \$10 million in 2021-22 to the Committee's supplemental appropriation and direct the Wisconsin Housing and Economic Development Authority to submit a proposal for use of funding consistent with its findings from its ongoing workforce housing pilot program.

ALT 3	Change to Base
GPR	\$10,000,000

4. Direct the Wisconsin Housing and Economic Development Authority to allocate \$7.5 million, or 50%, whichever is less, of its surplus under the 2021-22 Dividends for Wisconsin plan to support additional program development and single- and multifamily financing related to workforce housing. (This alternative may be selected independently or in addition to Alternatives 1, 2, or 3.)

5. Take no action.

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May, 2021

Joint Committee on Finance

Paper #116

Shelter for Homeless and Housing Grants (Administration -- Housing and Homelessness)

[LFB 2021-23 Budget Summary: Page 29, #2]

CURRENT LAW

The Shelter for Homeless and Housing Grants biennial appropriation supports both the Housing Assistance Program (HAP) and the State Shelter Subsidy Grant (SSSG) Program. Current law does not specify the allocation of funds between the two programs.

The Housing Assistance Program provides grants to local governments, nonprofit organizations, for-profit organizations, and other entities to operate housing and supportive services for the homeless. The purpose of the grants is to facilitate the movement of homeless persons to independent living. In 2020-21, HAP funds totaling \$300,000 served residents in 22 counties. The State Shelter Subsidy Grant Program provides grants to local governments, nonprofit organizations, for-profit organizations, and federally-recognized tribes for shelter operations. In 2019-20, SSSG funds totaling \$1,690,500 served residents in 44 counties.

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. 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. 2021 Assembly Bill 68/ Senate Bill 111 would provide \$6,300,000 annually to DOA's shelter for homeless and housing grants appropriation. The appropriation would fund three programs, as described below.

Housing Assistance Program

5. The bill would provide an additional \$5,000,000 annually for HAP. Under current law, HAP provides up to \$300,000 annually in grants to local units of government, nonprofit organizations, for-profit organizations, and other entities to operate housing and supportive services for the homeless. Grants are intended to facilitate the movement of homeless persons to independent living and are awarded as a match for federal Emergency Solutions Grants.

6. To be eligible for HAP grants, an organization must: (a) utilize only existing buildings for housing sites; (b) facilitate the use of community social services; (c) facilitate trainings in self-sufficiency to residents; and (d) require that residents pay at least 25% of their income as rent. Under 2017 Act 59, eligibility for HAP was expanded from purely transitional housing to include all housing types, and limitations on length of stay by residents were eliminated.

7. In 2020-21, HAP funds totaling \$300,000 were granted to the state's four Continuum of Care (CoC) organizations to serve 10 organizations in 22 counties (Adams, Barron, Calumet, Chippewa, Columbia, Dane, Dodge, Dunn, Jefferson, Juneau, Milwaukee, Outagamie, Pepin, Pierce, Polk, Racine, Rock, Sauk, St. Croix, Walworth, Waukesha, and Winnebago). Table 1 shows the number of grantees and amount of grants from 2011-12 to 2020-21.

TABLE 1

Housing Assistance Program Grants

<u>Fiscal Year</u>	<u>Grantees</u>	<u>Amount</u>
2011-12	28	\$400,000
2012-13	21	300,000
2013-14	16	307,800
2014-15	14	300,000
2015-16	17	297,500
2016-17	15	300,000
2017-18	12	300,000
2018-19	12	300,000
2019-20	10	300,000
2020-21	10	300,000

8. The Interagency Council's 2018 report concluded that, as a result of the program expansion under Act 59, HAP is one of the state's main housing assistance programs and is currently underfunded. The Council recommended that HAP funding be increased by \$900,000 annually.

9. Under 2019 Act 9, an additional \$900,000 GPR per year was reserved for HAP 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. In March, 2021, AB 146/SB 185 was introduced. The legislation would increase funding for HAP by \$900,000 GPR per year, starting in 2021-22.

10. 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 HAP and the homeless prevention program. The Department indicates that the one-time supplement has been obligated through an agreement with the U.S. Department of Housing and Urban Development (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.

11. Current program funding allows HAP to serve approximately 1,000 individuals in 22 counties each year, at an average cost of \$300 per client served. The Department indicates that providing an additional \$5,000,000 each year would allow the program to serve an additional 16,500 homeless individuals located in all 72 counties. Given that residents of every county are in need of homelessness services, the Committee could provide an additional \$5,000,000 annually for HAP. [Alternative A1]

12. Alternatively, the Committee could provide \$900,000 annually for HAP, as recommended by the Council and provided under AB 146/SB 185. Approximately 3,000 additional individuals would receive assistance each year. If this lesser amount were provided, DOA could

prioritize projects based on the quality of applications and an assessment of community need. [Alternative A2]

13. The Committee could decide to take no action with regard to HAP, thereby maintaining current funding of \$300,000 GPR annually. The program's allocation could be modified separately through passage of AB 146/SB 185. The program would continue to have sufficient funding to serve approximately 1,000 homeless individuals each year. [Alternative A3]

State Shelter Subsidy Grant Program

14. The bill would provide an additional \$700,000 annually for the SSSG program. Under current law, the program provides grants of up to \$1,613,600 GPR per year to local units of government, nonprofit organizations, for-profit organizations, federally-recognized tribes or bands, and other entities for shelter operations. The program is funded from GPR and PR from the Interest-Bearing Real Estate Trust Accounts (IBRETA) program.

15. Grants may not exceed 50% of the homeless shelter's annual operating budget. Funds may be used to renovate or expand an existing shelter facility, develop an existing building into a shelter facility, expand or develop shelter services, or to continue an existing level of service.

16. Under statute, DOA is required to allocate at least \$400,000 in each year to eligible applicants in Milwaukee County, \$66,500 in each year to eligible applicants in Dane County, and \$100,000 in each year to applicants elsewhere in the state. No more than \$183,500 of the remaining funds may be allocated for grants to eligible applicants without regard to their location. In awarding grants, DOA must also consider whether the community in which the applicant provides services has a coordinated system of services for homeless individuals and families.

17. In 2020-21, awards were provided to 40 grantees serving Brown, Buffalo, Burnett, Calumet, Columbia, Dane, Douglas, Dunn, Eau Claire, Florence, Fond du Lac, Forest, Green, Green Lake, Jackson, Jefferson, Kenosha, La Crosse, Lafayette, Lincoln, Manitowoc, Marathon, Marinette, Menominee, Milwaukee, Oconto, Outagamie, Ozaukee, Polk, Portage, Racine, Rock, Richland, Rusk, Walworth, St. Croix, Sheboygan, Shawano, Trempealeau, Washington, Waukesha, Waupaca, Winnebago, and Vilas counties. Table 2 shows the number of grantees and amount of grants from 2011-12 to 2020-21.

TABLE 2**State Shelter Subsidy Grant Program, GPR and IBRETA Funds**

<u>Fiscal Year</u>	<u>Milwaukee County</u>	<u>Dane County</u>	<u>Other Areas of State</u>	<u>Grantees</u>	<u>Total Grants</u>
2011-12	\$400,000	\$231,900	\$956,800	44	\$1,588,700
2012-13	400,000	170,900	724,400	43	1,295,300
2013-14	400,000	175,500	559,100	38	1,134,600
2014-15	400,000	171,900	561,700	43	1,133,600
2015-16	400,000	170,900	562,700	42	1,133,600
2016-17	400,000	169,000	554,600	42	1,123,600
2017-18	400,000	164,800	564,800	41	1,129,600
2018-19	400,000	145,400	587,200	40	1,132,600
2019-20	475,900	272,300	942,300	37	1,690,500
2020-21	469,000	276,000	874,200	40	1,619,200

18. According to the Interagency Council's 2018 report, funding for SSSG remained at nearly the same level from 1991 to 2018, despite shelters' central role in addressing homelessness. The report concluded that emergency shelter is a critical piece in a community's homeless response because it offers a bed and a meal in times of crisis, it is a convenient spot for community resources to provide outreach, and it offers short-term respite until more permanent housing becomes available. The Council recommended that funding for SSSG be increased by \$500,000 annually.

19. Under 2019 Act 9, \$500,000 GPR per year was reserved in the Committee's supplemental appropriation for SSSG. Subsequently, 2019 Act 76 modified eligibility criteria and authorized DOA to request the transfer of the reserved funds. In February, 2020, the Committee approved the transfer of \$500,000 GPR in 2019-20 and 2020-21 to DOA. These funds are included in the program's base budget for the 2021-23 biennium.

20. In December, 2020, the Interagency Council reported that "COVID-19 created unprecedented strains on community homelessness systems throughout the state." To adhere to guidelines for social distancing and as a result of a reduction in volunteers, most shelters had to reduce their capacities, stop taking new clients, or close entirely. The Council concluded that these factors, and other social conditions, resulted in a surge in unsheltered homelessness. The surge is "cause for alarm and concern and highlight the need to return people to housing as quickly as possible."

21. The Department indicates it will be able to expend additional funds because SSSG applications have exceeded expenditure authority. For example, applications totaled approximately \$11.0 million in 2018-19, exceeding the amount of available funds by \$9.9 million. Given shelters' demonstrated need for additional support, the Committee could provide \$700,000 per year for SSSG. [Alternative B1]

22. On the other hand, it could be argued that the Interagency Council's recommendation for SSSG has already been implemented. Given that program funds were increased by \$500,000 per year

in 2020, the Committee could decide that the current funding level is sufficient and take no action. [Alternative B2]

Housing Navigation Grants

23. The bill would provide \$600,000 GPR annually to allow the state's Continuum of Care organizations to hire housing navigators. Navigators would act as a liaison with landlords, rental property managers, and homeless assistance programs; recruit new landlords; identify affordable housing for program recipients; and mediate landlord-tenant issues.

24. Grants would be awarded equally to each CoC designated by the federal government. Wisconsin has four such federally-designated 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 organizations promote community-wide planning and strategic use of resources to address homelessness.

25. According to the Interagency Council, establishing housing navigation grants would allow CoCs to work with housing providers, clients, and case managers to connect available units with those who need to rent affordable housing. The Council recommended the allocation of \$300,000 annually to create a housing navigation grant program. Under 2019 Act 9, \$300,000 per year was reserved in the Committee's supplemental appropriation for housing navigation grants. 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.

26. The bill would allocate twice the amount recommended by the Interagency Council in 2018. According to DOA, the proposed amount reflects input from CoC organizations on the increased need to provide navigation services, particularly in rural areas of the state. Given the Council's recommendation to create a housing navigation grant program and demonstrated demand from service agencies, the Committee could approve the recommendation. [Alternative C1]

27. Separately, AB 146/SB 185 would create a housing navigators grant program and provide \$300,000 GPR annually starting in 2021-22. If the Committee wished to create the program but at a lower funding level, the Committee could allocate \$300,000 annually for housing navigation grants, the amount previously recommended by the Council and provided under AB 146/SB 185. [Alternative C2]

28. Alternatively, the Committee could take no action with regard to housing navigation services. The 2021-23 budget bill would not include funding for housing navigators, although the program could be created separately through passage of AB 146/SB 185. [Alternative C3]

ALTERNATIVES

A. Housing Assistance Program

1. Provide an additional \$5,000,000 annually for the housing assistance program.

ALT A1	Change to Base
GPR	\$10,000,000

2. Provide an additional \$900,000 annually for the housing assistance program.

ALT A2	Change to Base
GPR	\$1,800,000

3. Take no action with regard to the housing assistance program.

B. State Shelter Subsidy Grant Program

1. Provide \$700,000 annually for the state shelter subsidy grant program.

ALT B1	Change to Base
GPR	\$1,400,000

2. Take no action with regard to the state shelter subsidy grant program.

C. Housing Navigation Grants

1. Provide \$600,000 annually for housing navigation grants.

ALT C1	Change to Base
GPR	\$1,200,000

2. Provide \$300,000 annually for housing navigation grants.

ALT C2	Change to Base
GPR	\$600,000

3. Take no action with regard to housing navigation grants.

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May, 2021

Joint Committee on Finance

Paper #117

Housing Quality Standards Grants (Administration -- Housing and Homelessness)

[LFB 2021-23 Budget Summary: Page 30, #3]

CURRENT LAW

The U.S. Department of Housing and Urban Development (HUD) requires rental units to pass housing quality standard (HQS) inspections to qualify for federal housing assistance. In November, 2018, the Wisconsin Interagency Council on Homelessness recommended the creation of a state-funded program to help landlords address quality deficiencies in order to increase the supply of housing units eligible for federal assistance. Funds for this purpose were reserved in the Joint Committee on Finance's supplemental appropriation under 2019 Act 9 but have not yet been transferred to the Department of Administration (DOA).

DISCUSSION POINTS

1. All federally-funded housing programs require rental units to be "decent, safe, and sanitary" and to pass housing quality standard inspections. Examples of criteria considered by the HQS inspectors include acceptable sanitary facilities, food preparation, thermal environment, water supply, lead-based paint, and smoke detectors. The U.S. Census Bureau indicates that the presence of hot and cold running water, a bathtub or shower, a sink with a faucet, a stove or range, and a refrigerator serve as indicators of housing quality.

2. The U.S. Census Bureau estimates that 24% of renters in Wisconsin have a severe housing problem, defined as incomplete kitchen facilities, incomplete plumbing facilities, an occupancy greater than 1.5 people per room, or a cost greater than 50% of income. An estimated 10,000 Wisconsin households lack complete plumbing facilities and 20,600 lack complete kitchen facilities. In addition, approximately 64% of renter-occupied units in the state were built before 1980; of these, HUD indicates that 75% are likely to have lead paint.

3. According to the Census Bureau, the estimated rental vacancy rate is 4.9% in Wisconsin, compared to 6.0% nationwide, meaning that 4.9% of rental units are unoccupied. A rate of 5% is considered to be stable; a lower rate indicates a shortage of housing supply. In Wisconsin, 38 counties have rental vacancy rates below 5%, and nine counties have a rate below 3% (Douglas, Marathon, Marinette, Menominee, Shawano, Sheboygan, St. Croix, Vernon, and Washington counties).

4. Recent surveys of housing providers, conducted by DOA, identified the lack of available and affordable units, especially for the most vulnerable, as the "greatest impediment to housing currently facing Wisconsin." According to the National Low Income Housing Coalition, there is a shortage of 119,100 homes for extremely low-income renters in Wisconsin (those earning between 0% and 30% of area median income).

5. The federal American Rescue Plan Act of 2021 provides \$2.5 billion in direct payments to Wisconsin. On May 10, 2021, the U.S. Department of the Treasury indicated that funds may be used for investments in housing and neighborhoods, including affordable housing development. The one-time allocation must be used prior to December 31, 2024, and therefore would not provide ongoing program support.

6. 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 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.

7. The Council's report concluded, "One of the highest barriers to affordable housing is a lack of available, quality housing units. The problem is especially acute in rural areas due to the age of existing dwellings coupled with a low proportion of rental units." According to the report, rental supply has been limited by property owners' financial inability to make improvements and achieve HQS compliance. The Council recommended the creation of a state-funded program, allocated \$500,000 annually, to make forgivable loans to landlords to address quality deficiencies and increase the number of units that qualify for federal programs.

8. It should be noted that the Council recommended that the HQS program be structured as a forgivable loan program to ensure compliance with program goals. Under the Council's plan, by accepting the loan, each unit would be required to pass an annual HQS inspection. The loans would be forgiven after the landlord rented the unit to a low- or moderate-income household for an unspecified number of years.

9. The administration has recommended creating a grant program rather than a forgivable loan program to reduce landlords' need to recover improvement costs from tenants, thereby increasing long-run affordability. In addition, the grant structure could increase participation because landlords would not need to secure capital to begin improvement projects. The grant structure would also match existing programs administered by DOA's housing division, thereby minimizing the administrative burden. The Department indicates that technical requirements, including the compliance measures recommended by the Council, would be determined and implemented

administratively once the program is enacted.

10. Under 2019 Act 9, \$500,000 annually was reserved in the Joint Committee on Finance's supplemental appropriations for the program. The funds have not yet been transferred to DOA and will lapse to the general fund if not transferred by June 30, 2021.

11. The administration recommends that the housing quality standards (HQS) grant program be provided \$2.0 million GPR annually during the 2021-23 biennium. Grants would be awarded to landlords to finance upgrades to existing rental units to comply with federal assistance requirements. The Department indicates that it would limit awards to \$25,000 per unit with an initial limit of \$200,000 per landlord to ensure funds are available for projects across the state.

12. The recommended funding amount is based on a similar program in Washington. In 2018, Washington created a program to reimburse landlords for upgrades to rental units. To date, the program has provided \$4.4 million to rehabilitate 1,900 units at an average cost of \$2,300 per unit. Participating landlords must rent the upgraded units to tenants receiving rental subsidies. If the Wisconsin program averages a similar cost-per-unit, an estimated 870 units would be rehabilitated each year. To help increase the supply of rental housing units, the Committee could provide \$2.0 million GPR annually for grants to landlords. [Alternative 1]

13. The current proposal is greater than the amount of \$500,000 per year recommended by the Council in 2018. The Committee could implement the Council's recommendation to provide \$500,000 annually for the HQS grant program. [Alternative 2] At an average cost of \$2,300 per unit, this amount would support upgrades for 217 units per year.

14. It should be noted that AB 68/SB 111 would not limit the amount of funds that could be allocated to a landlord or for a unit. In addition, the legislation would not specify compliance measures. The Department indicates it would set technical requirements administratively if the program is enacted. However, based on DOA's indication of program specifications identified above, statutory language could be created related to compliance and award amounts. This alternative may be selected in addition to Alternative 1 or Alternative 2. [Alternative 3]

15. Alternatively, the Committee could decide to take no action with regard to the creation of a housing quality standards program. As under current law, landlords could continue to self-fund any necessary improvements to properties to qualify for federally-funded programs. [Alternative 4]

ALTERNATIVES

1. Create a housing quality standards grant program and provide \$2,000,000 annually. Grants would be awarded to owners of rental housing units to satisfy housing quality standards.

ALT 1	Change to Base
GPR	\$4,000,000

2. Create a housing quality standards grant program and provide \$500,000 annually. Grants would be awarded to owners of rental housing units to satisfy housing quality standards.

ALT 2	Change to Base
GPR	\$1,000,000

3. Specify that awards be limited to \$25,000 per unit and \$200,000 per landlord. In addition, require that each unit be required to pass an annual HQS inspection and be rented to a low- or moderate-income household for the number of years specified by DOA in the application process. [This alternative may be selected in addition to Alternative 1 or Alternative 2.]

4. Take no action.

Prepared by: Angela Miller



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May, 2021

Joint Committee on Finance

Paper #118

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

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

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.

ALT B1	Change to Base
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.

ALT B2	Change to Base
GPR	\$600,000

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

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May, 2021

Joint Committee on Finance

Paper #119

Homeless Veteran Rental Assistance Program (Administration -- Housing and Homelessness)

[LFB 2021-23 Budget Summary: Page 30, #5]

CURRENT LAW

In 2020, the U.S. Department of Housing and Urban Development (HUD) estimated that Wisconsin had 337 homeless veterans on any given night, representing 8% of homeless residents. Of these veterans, 218 were in transitional housing, 102 were in shelters, and 17 were unsheltered.

Several state and federal programs currently assist homeless veterans. The veteran housing and recovery program, administered by the Wisconsin Department of Veterans Affairs (DVA), provides transitional housing and support services to homeless veterans and veterans at risk of becoming homeless. The veterans outreach and recovery program, also administered by DVA, provides outreach, treatment, and support to veterans who have a mental health condition, with a focus on veterans who are homeless or at risk of becoming homeless. The federal supportive services for veteran families program distributes funds to Continuum of Care (CoC) organizations to connect homeless veterans and families with housing and services. In addition, the federal HUD-Veterans Affairs Supportive Housing (VASH) program provides rental assistance, case management, and clinic services to eligible veterans.

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 housing vouchers and services to address individuals experiencing homelessness. The one-time allocation must be used prior to December 31, 2024, and therefore would not provide ongoing program support.

The Department of Administration (DOA) administers a number of programs intended to

address homelessness and ensure residents have access to affordable housing. While veterans may be eligible to receive housing assistance through existing DOA programs, the agency's programs do not currently provide services specifically to veterans.

DISCUSSION POINTS

1. Veterans face unique challenges with finding safe and affordable housing. According to an analysis by the National Conference of State Legislatures, "Not only must they navigate the affordable housing market, they often face economic hardships, multiple and extended deployments, and, in some cases, mental illnesses that hinder one's ability to find the assistance they need." The U.S. Interagency Council on Homelessness reports that best practices for addressing homelessness among veterans include state and local coordination, a coordinated entry system to ensure wraparound services, and a housing first assistance model.

2. The state Department of Veterans Affairs administers two programs that provide assistance to veterans experiencing homelessness or who may be at risk of experiencing homelessness. The veteran housing and recovery program spent \$2.2 million in 2019-20 (\$1.4 million from federal funds, \$593,600 from veterans trust fund allocations, and \$206,500 from program revenue) for direct housing assistance for veterans. The veterans outreach and recovery program was provided \$723,500 in 2019-20 from the veterans trust fund appropriation.

3. The federal supportive services for veteran families program distributes funds to CoC organizations. In 2019-20, CoCs in Wisconsin received \$3.3 million to assist veterans. The program relies on a housing first model, which "focuses on helping individuals and families access and sustain permanent rental housing as quickly as possible and without precondition, while facilitating access to needed health care, employment, legal services, and other supports to sustain permanent housing."

4. The federal HUD-VASH program combines rental assistance for veterans with clinic services. Participating veterans rent privately-owned housing and contribute no more than 30% of income towards rent. In 2019-20, the program provided \$139,100 in vouchers for 25 veterans in Wisconsin, an average monthly allocation of \$465. However, the supply of vouchers is limited and veterans are only eligible if they have an honorable discharge status.

5. To provide additional support for the state's homeless veterans, 2021 Assembly Bill 68/Senate Bill 111 would create a rental assistance grant program and provide \$1.0 million GPR annually. The recommended funding level is based on reports from local agencies on the number of veterans seeking homelessness assistance. Over the past 11 years, housing authorities in Wisconsin have administered 1,241 housing vouchers for formerly homeless veterans, an average of 113 veterans assisted each year. The state's CoC organizations recently reported that there were over 150 veterans on homeless coordinated entry lists requesting assistance.

6. Grants would be awarded to each CoC designated by HUD. Wisconsin has four such federally-designated 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. The Department of Administration would work with CoCs, and the state and federal Departments of Veterans Affairs to distribute funds in accordance with the number of eligible veterans in each community.

7. Funds would be distributed by CoCs as subsidies to veterans, a distribution method known as tenant-based assistance. Rather than funding particular rental projects, the program would fund individual tenants. The subsidies are portable and follow the tenant, who has flexibility in selecting a residence. The rationale for creating a tenant-based voucher program, rather than a project-based program, is that it can be implemented faster to address urgent need. Project-based solutions can take years to implement, due to the timeline of securing and constructing housing units. In addition, partnering with CoC organizations to distribute funds will help connect veterans with supportive services and case management if needed.

8. Under current law, housing is considered affordable if it costs less than 30% of income. Comparable to other housing programs administered by CoC organizations, DOA would require a subsidy calculation that ensures veterans do not spend more than 30% of income on rent. Assistance would generally be limited to fair market rent, as determined by HUD. For example, the average fair market rent for a one-bedroom unit in Wisconsin is \$637 per month. A veteran earning 100% of the federal poverty line (\$12,880 per year) and renting a one-bedroom unit would be expected to contribute \$322 and receive a subsidy to cover the remaining \$315.

9. The administration estimates that an annual allocation of \$1.0 million would provide rental assistance for between 100 and 200 veterans each year, a sufficient amount to fund monthly rental subsidies between \$417 and \$833. Given identified need and the experience of CoC organizations in providing assistance, the Committee could provide \$1.0 million annually to provide rental assistance for veterans experiencing homelessness. [Alternative 1]

10. Alternatively, the Committee may wish to support the program but at a lower amount. The Committee could therefore create the program and provide \$500,000 GPR per year, sufficient to support rental subsidies for 50 to 100 veterans per year. [Alternative 2]

11. Given the number of other state and federal programs designed to assist homeless veterans, the Committee could decide that it is not necessary to create another veterans assistance program at this time. Therefore, the Committee could take no action. [Alternative 3] Veterans in Wisconsin would still be able to apply for housing assistance through other state and federal programs.

ALTERNATIVES

1. Create an annual GPR appropriation, allocated \$1.0 million annually, to provide rental assistance for homeless veterans. Specify that grants must be awarded to each Continuum of Care designated by the U.S. Department of Housing and Urban Development and be used to provide tenant-based rental assistance to homeless veterans in Wisconsin.

ALT 1	Change to Base
GPR	\$2,000,000

2. Create an annual GPR appropriation, allocated \$500,000 annually, to provide rental assistance for homeless veterans. Specify that grants must be awarded to each Continuum of Care designated by the U.S. Department of Housing and Urban Development and be used to provide tenant-based rental assistance to homeless veterans in Wisconsin.

ALT 2	Change to Base
GPR	\$1,000,000

3. Take no action.

Prepared by: Angela Miller



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May, 2021

Joint Committee on Finance

Paper #120

Homeless Case Management Services (Administration -- Housing and Homelessness)

[LFB 2021-23 Budget Summary: Page 31, #6, and Page 95, #22]

CURRENT LAW

The homeless case management services (HCMS) program is currently authorized by statute to support 10 annual grants of \$50,000 to shelter facilities. Total annual funding is \$500,000 PR and is provided from the federal temporary assistance for needy families (TANF) program.

Funds are used to provide intensive case management services to homeless families, including: (a) financial management services; (b) employment services, including connecting parents who are job training graduates or who have a recent work history with their local workforce development board and assisting them with using the job center website maintained by the Department of Workforce Development; (c) services intended to ensure continuation of school enrollment for children; and (d) services to enroll unemployed or underemployed parents in a food stamp employment and training program or in the Wisconsin Works program.

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 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.

DISCUSSION POINTS

1. Households experiencing homelessness often struggle to navigate simultaneous tasks, such as searching for employment, housing, healthcare, and childcare. Case managers assist

households with managing job searches, housing searches, finances, substance abuse disorder treatments, and mental health disorder treatments.

2. The Interagency Council on Homelessness was established under 2017 Act 74 to coordinate statewide policies to address homelessness. In 2018, the Council published a statewide report with recommendations to end homelessness. The report concluded that case management services have been linked to better housing outcomes, better physical and mental health, decreased abuse of drugs and alcohol, better re-integration into society, decreased costs for crisis response systems, and overall improvement in quality of life. In accordance, the Council recommended that the HCMS program be increased by \$500,000 annually.

3. Under 2019 Act 9, an additional \$500,000 PR per year was reserved for HCMS in the Joint Committee on Finance's supplemental appropriation. The allocation has not yet been transferred to DOA. If the funds are not transferred prior to June 30, 2021, funds will lapse to accounts specified under s. 49.175(1) of the statutes ("Children and Family Support Services: public assistance and local assistance allocations").

4. 2021 Assembly Bill 68/Senate Bill 111 would provide an additional \$500,000 PR annually for HCMS grants. The bill would increase the annual limit on grants from \$50,000 to \$75,000 per recipient, and eliminate the statutory restriction that limits the program to 10 grants per year. A corresponding increase is provided under the TANF allocation.

5. According to DOA, the revised limit of \$75,000 is based on a review of prior applications and would be sufficient to ensure that assistance is available for agencies of various sizes throughout the state. In 2018-19, applications from 19 agencies totaled \$1.8 million, exceeding amounts available by \$1.3 million. In 2019-20, applications from 19 agencies totaled \$2.5 million, exceeding amounts available by \$2.0 million. Application amounts for 2018-19 and 2019-20 by agency are attached. Given the volume of prior applications and evidence that case management services help alleviate homelessness, the Committee could provide an additional \$500,000 for HCMS. [Alternative 1]

6. In March, 2021, AB 146/SB 185 was introduced. The legislation is nearly identical to the HCMS provisions of the budget bill and would increase HCMS funding by \$500,000 per year, increase the limit from \$50,000 to \$75,000 per recipient, and eliminate the provision that restricts the program to 10 grants per year. However, AB 146/SB 185 differ from the budget bill in allowing shelters to use up to 10% of funds for professional development of case managers, including for travel expenses. To specify that funds may be used for professional development, the Committee could include the corresponding provision from AB 146/SB 185. [Alternative 2]

7. Alternatively, the Committee could instead decide to take no action with regard to HCMS, thereby maintaining current funding of \$500,000 PR annually. The program's statutory limitations and allocations could be modified separately through passage of AB 146/SB 185. [Alternative 3]

ALTERNATIVES

1. Provide an additional \$500,000 PR annually for the homeless case management services program. Increase the annual limit on grants from \$50,000 to \$75,000 per recipient, and eliminate the statutory restriction that limits the program to 10 grants per year. Funds would be provided from the federal temporary assistance for needy families program.

ALT 1	Change to Base
PR	\$1,000,000

2. Incorporate the provision of 2021 AB 146/SB 185 specifying that up to 10% of grant funds may be used for the professional development of case managers, including travel expenses necessary for case managers to participate in training for professional development. [This alternative may be selected in addition to Alternative 1.]

3. Take no action.

Prepared by: Angela Miller
Attachments

ATTACHMENT 1

Homeless Case Management Services Grant Applications 2018-19

<u>Organization</u>	<u>Amount Requested</u>
Community Advocates, Inc.	\$276,400
Hebron House of Hospitality	272,500
YMCA Madison	227,500
Salvation Army - La Crosse	103,600
Homeless Assistance Leadership Organization	100,000
Salvation Army - Milwaukee	87,400
Salvation Army - Sheboygan	75,000
Homeless Connections (Pillars)	71,700
Lakeshore IHN (Hope House of Manitowoc)	63,500
Freedom House Ministries	62,300
Family Promise of Washington County	60,000
Salvation Army - Grace Place	59,000
Western Dairyland	55,000
Harbor House	54,200
Renewal Unlimited	52,800
Salvation Army - Dane County	52,000
Community Advocates	50,000
Shalom Center	50,000
Hope House*	<u>0</u>
Total Requested	\$1,772,900
Average Request	\$93,300

* The application submitted by Hope House was incomplete and therefore not considered.

ATTACHMENT 2

Homeless Case Management Services Grant Applications 2019-20

<u>Organization</u>	<u>Amount Requested</u>
Cathedral Center	\$351,100
Salvation Army - Waukesha	330,000
Community Action Inc. of Rock & Walworth	276,000
Solutions Center	275,500
Salvation Army - La Crosse County	271,600
Central Wisconsin CAC	151,700
Homeless Assistance Leadership Organization	100,000
Family Promise of Washington County	89,000
Salvation Army - Milwaukee	87,400
Pillars	79,300
Salvation Army - Grace Place	68,500
Lakeshore Interfaith	65,500
Freedom House Ministries	64,400
Shalom Center	64,000
Salvation Army - Dane County	56,200
Renewal Unlimited	51,000
Community Advocates	50,000
Our Sister's House Emergency Shelter	50,000
Southwest Wisconsin Community Action Program	<u>50,000</u>
Total Requested	\$2,531,200
Average Request	\$133,200

Administration -- Housing and Homelessness

LFB Summary Items for Which No Issue Papers Have Been Prepared

<u>Item #</u>	<u>Title</u>
7	Positions to Support Housing Initiatives
8	Homeless Employment Program Repeal

