



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

August 4, 2009

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Commerce: Request for Increased Expenditure Authority for Federal Community Development Block Grant Stimulus funding -- Agenda Item X

### **REQUEST**

The Department of Commerce requests increased expenditure authority of \$488,800 FED in the appropriation under s. 20.143 (1) (m), and \$7,045,000 FED in the appropriation under s. 20.143 (1) (n) in 2009-10, to appropriate Community Development Block Grant (CDBG) funds allocated to the state under the American Recovery and Reinvestment Act of 2009 (ARRA).

### **BACKGROUND**

ARRA appropriated \$1 billion to carry out eligible activities of the CDBG program on an expedited basis. The ARRA program is commonly referred to as the CDBG Recovery (CDBG-R) program. The funding is provided as a supplement to program year 2008 CDBG allocations. Wisconsin is allocated a total \$7,533,800 in CDBG-R funds. Of the total amount of funds, \$7,045,000 will be allocated to 15 projects in the state, and \$488,800 (6.5%) will be used for administrative expenses. The attachment provides information about the 15 projects that will be funded. Administrative costs include reviewing, selecting, and finalizing grant awards; monitoring projects for compliance with state and federal law; and, meeting federal reporting requirements.

Commerce is the state's designated recipient of federal funding for the small cities Community Development Block Grant (CDBG) program. The Division of Housing and Community Development in Commerce administers the economic development, public facilities, public facilities for economic development, blight elimination and brownfield redevelopment, emergency grant, housing, and planning grant subprograms.

A project funded with small cities CDBG funds must meet one of the following national objectives:

a. Benefit low- and moderate-income persons. (Income below 80% of median household income.)

b. Meet a local urgent need. Commerce must determine that: (1) the project is designed to alleviate existing conditions which pose a serious and immediate threat to the health, safety or welfare of the municipality, or which is required by an order of a state agency, federal agency or court of law; (2) the existing conditions are of recent origin or became urgent within 18 months prior to the local government's application; (3) the local government is unable to finance the activity, as measured by available general obligation debt

c. Prevention or elimination of slums or blight.

State administered CDBG programs provide funding to nonentitlement areas which include most cities with populations of less than 50,000 and counties with populations of less than 200,000. Municipalities ineligible for program funding are termed "entitlement communities" (generally, cities with populations of at least 50,000 and urban counties). Entitlement communities are eligible to receive CDBG funds directly from the federal government through the block grant entitlement program.

The non-housing CDBG programs administered by Commerce include:

Economic Development Program. The economic development program provides grants to local governments that use the funds to help finance business startups or expansions and investments and creating or retaining jobs in the state. The majority of economic development projects involve loans to business for: (a) acquisition of land, buildings, and fixed equipment; (b) construction, expansion, and remodeling; and (c) working capital for inventory and direct labor.

Public Facilities Program. The public facilities program provides financial assistance to local governments to fund projects that correct deficiencies in public infrastructures that affect public health, safety, or another essential need. Awards can be used to fund public infrastructure and building projects including, public utility system improvements, streets, sidewalks, handicap accessibility projects, and public buildings such as community centers, downtown improvements, and fire stations (excluding buildings used for the conduct of government).

Public Facilities for Economic Development. These grants provide funding for the expansion or improvement of municipal infrastructure which directly benefit individual businesses that will create or retain jobs and invest in the community. Eligible uses for grant funds include improvements to infrastructure such as water systems, sewerage systems, roads, and other such facilities that are owned by a local governmental unit, which principally serve a business entity that creates jobs.

Blight Elimination and Brownfield Redevelopment Program. The program provides financial assistance to communities in assessing or remediating environmental contamination on abandoned, idle or underused, and blighted commercial or industrial sites to promote development of those sites. This program includes the state-funded brownfields grant program and the CDBG blight elimination and brownfield site redevelopment program. Grant funds may be used for the following activities (a) environmental investigation, remediation, or groundwater monitoring of the site; (b) removal of underground storage tanks or hazardous waste containers; (c) the acquisition cost of the brownfield site; (d) site clearance, building demolition, or building renovation; (e) asbestos and lead paint abatement; and (f) infrastructure improvement.

Planning Grant Program. The planning grant program provides funding to local governments and community partnerships that have identified a community or economic development concern, or opportunity, and lack the resources needed to plan an appropriate response.

CDBG funds also fund the milk volume production program, emergency assistance program, and program administration. For program year 2008, the Department of Commerce received a total of \$27,769,100 in CDBG funds.

## **ANALYSIS**

The federal Department of Housing and Urban Development (HUD) indicates that use of CDBG-R funds should be consistent with the overarching goals of the ARRA which include stimulating the economy through measures that modernize the nation's infrastructure and improving energy efficiency. Although CDBG-R funds may be used for the full range of eligible CDBG activities, HUD strongly urges grantees to use CDBG-R funds for hard development costs associated with infrastructure activities that provide basic services to residents, or activities that promote energy efficiency and conservation through rehabilitation or retrofitting of existing buildings. HUD also strongly suggests that grantees incorporate consideration of the public perception of the intent of ARRA in identifying and selecting projects for CDBG-R funding.

The Notice of Program Requirements for CDBG-R funds was published on May 5, 2009. Because the CDBG-R funds were a supplement to 2008 CDBG funds, grantees were required to submit an amendment to the 2008 CDBG state plan by June 29, 2009, that included a listing of the projects to be funded. HUD approval of each project is required to ensure conformity with the ARRA and CDBG-R criteria.

In selecting projects for CDBG-R funding, Commerce followed the recommendations of HUD that the funds be used for hard development costs associated with infrastructure activities. In addition, the Department considered the degree of project readiness, the local capacity to proceed, and the geographic dispersion of the projects. Some of the projects selected had submitted applications for funding under the regular CDBG programs. The other projects were selected from a group for which the Department had information, but no formal application had been submitted.

Attachment II provides a map showing the location of the projects that will be funded by CDBG-R.

## **CONCLUSION**

The Governor's request for the use for \$7,533,800 in federal economic stimulus funds for CDBG-R projects satisfies a requirement in 2009 Wisconsin Act 2 that a plan be submitted to the Committee for the expenditure of such funds. Since the funding was awarded by the federal government for 15 specific projects, no alternative uses of the CDBG-R funds are permitted under the federal program.

Prepared by: Ron Shanovich  
Attachments

## ATTACHMENT 1

### Wisconsin CDBG-R Awards

City of Dodgeville, Iowa Co.	Construct a non-profit dental and health clinic to serve the uninsured and individuals enrolled in Medicaid, BudgetCare, and other low income clients.	\$260,000
Village of Necedah, Juneau Co.	Construct a library.	610,000
Village of Nekoosa, Wood Co.	Construct a senior/community center.	510,000
Village of Milltown, Polk Co	Construct a vocational building and greenhouses for Adult Development Center activities.	260,000
City of Plymouth, Sheboygan Co.	Construct a non-profit intergenerational center, which will house a senior center, food pantry, child day care, and Head Start.	760,000
City of Rhinelander, Oneida Co.	Construct a fire station addition to accommodate ambulance services.	460,000
Village of Turtle Lake, Barron Co	Construct a library and storm shelter.	610,000
Village of Webster, Burnett Co.	Construct a library.	360,000
Village of Westfield, Marquette Co.	Construct a senior center.	560,000
City of Blair, Trempealeau Co.	Downtown streetscape including sidewalks, streetlights, and surface parking.	260,000
City of Chippewa Falls, Chippewa Co.	Downtown waterfront redevelopment infrastructure improvements; acquisition and demolition.	660,000
Village of Hawkins, Rusk Co.	Business park infrastructure for a manufacturing facility.	360,000
City of Menomonie, Dunn Co.	Wastewater treatment upgrades for a food processing plant company.	205,000
City of Plain, Sauk Co.	Construct a LEEDS training center, focusing on green career skills training for at-risk youths from five surrounding school districts.	1,010,000
City of Wautoma, Waushara Co.	Provide working capital to support expansion of a wholesale business.	160,000
CDBG-R Administration	Administrative costs related to planning, management and oversight of CDBG-R funds.	<u>488,800</u>
TOTAL		\$7,533,800



# ATTACHMENT 2

## CDBG-R Proposed Projects

