



Legislative Fiscal Bureau

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

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Joint Committee on Finance

Paper #220

Affordable Housing Trust Fund (Commerce -- Housing, Buildings, and Environmental Regulation)

Base Agency

[LFB 2007-09 Budget Summary: Page 99, #2 and Page 391, #7]

CURRENT LAW

The Department of Commerce housing programs funded with state funds provide the following types of services. Housing grants and loans are used to provide assistance to organizations, local governments, and local housing authorities to develop capacity to provide new or expanded housing, pay operational costs, perform housing counseling activities, and assist home buyers, homeowner, and renters. Shelter for homeless and transitional housing provides grants to organizations and local governments to operate transitional housing facilities or homeless shelter operations. The mental health services for homeless individuals program provides a portion of the 25% non-federal match for the federal Projects for Assistance in Transition from Homelessness program. This program funds local agencies that provide services to people who have serious mental illness and are homeless. Commerce also receives federal funds for housing programs.

GOVERNOR

Convert \$2,851,300 annually for housing services programs from GPR to the segregated affordable housing trust fund, and provide an additional \$1,000,000 SEG annually for the Commerce shelter for homeless and transitional housing programs. Further, create a segregated affordable housing trust fund, which would consist of \$4,000,000 annually transferred from the segregated county aid fund through a SEG appropriation under miscellaneous appropriations.

DISCUSSION POINTS

1. Under the bill, \$3,851,300 SEG and \$2,000,000 PR annually would be provided for housing programs as shown in Table 1. The bill would not change the purpose or requirements of the housing programs, but rather, would change the funding source from GPR to SEG [or GPR to PR under a separate provision relating to a transfer from the Wisconsin Housing and Economic Development Authority] and increase funding for the shelter for homeless and transitional housing programs by \$1 million annually.

TABLE 1
Commerce Housing Programs, Annual Appropriations from State Sources

<u>Appropriation</u>	<u>Base</u>	<u>Bill</u>	<u>Difference</u>
Shelter for Homeless and Transitional Housing Programs	\$1,506,000	\$2,506,000	\$1,000,000
Housing Grants and Loans	3,300,300	3,300,300*	0
Mental Health Services for Homeless Individuals	<u>45,000</u>	<u>45,000</u>	<u>0</u>
Total	\$4,851,300	\$5,851,300	\$1,000,000

*Includes \$1,300,700 SEG and \$2,000,000 PR under the bill.

2. In addition to the amounts shown in Table 1, Commerce receives approximately \$33.0 million FED and \$1.0 million PR annually for housing programs services. This is shown in Table 2. The federal funding comes from the U.S. Department of Housing and Urban Development (HUD). The program revenue comes from interest on real estate trust accounts and from various agencies for the Wisconsin fresh start program. Further, the Department of Administration (DOA) administers two housing programs targeted to low-income households through the agency's Division of Energy. These programs are the Low-Income Home Heating Assistance Program (LIHEAP) and the Low-Income Weatherization Program. Both of these programs are funded through LIHEAP federal block grants, Department of Energy weatherization grants, and the segregated, state-operated public benefits fund. In 2005-06, \$73.6 million of federal LIHEAP funds and \$34 million of public benefits funds were expended on state low-income heating assistance programs. In addition, the state spent \$22.3 million from federal LIHEAP and Department of Energy funds and \$36.1 million of public benefits funds on low-income weatherization. Table 2 shows the approximate annual grant funding available.

TABLE 2

Other Housing Grant Programs

<u>Program</u>	<u>Estimated Annual Amount</u>	<u>Source</u>
Commerce		
Home Investment Partnerships (HOME)	\$14,000,000	FED
Emergency Shelter Grant	2,000,000	FED
Housing Opportunities for Persons With AIDS	400,000	FED
Projects for Assistance in Transition from Homelessness	600,000	FED
Continuum of Care Supportive Housing	6,000,000	FED
Community Development Block Grant Housing	10,000,000	FED
Interest on Real Estate Trust Accounts	500,000	PR
Wisconsin Fresh Start	<u>500,000</u>	PR
Subtotal	\$34,000,000	
WHEDA		
Nonprofit Housing Grants	\$800,000	N.A.
Administration		
Low-Income Heating Assistance Program - federal	\$73,600,000	FED
Low-Income Heating Assistance Program - state	34,000,000	SEG
Low-Income Weatherization - federal	22,300,000	FED
Low-Income Weatherization - state	<u>36,100,000</u>	SEG
Subtotal	\$166,000,000	
Total	\$200,800,000	

In addition to grant programs, two entities offer low-interest loans for housing purposes. The Department of Veterans Affairs (DVA) administers two loan programs that provide housing opportunities and home improvement assistance for veterans in Wisconsin: the primary mortgage loan program and the home improvement loan program. In 2005-06, DVA made 82 primary mortgage loans totaling \$13,555,000. The average loan was \$165,300. In 2005-06, 91 home improvement loans were made, totaling \$2,119,000. The average loan was \$23,300.

The Wisconsin Housing and Economic Development Authority (WHEDA) also makes a number of loans and grants for housing purposes. WHEDA is not a state agency. Rather, it is a public body corporate and politic that sells taxable and tax-exempt mortgage revenue bonds and uses the proceeds to fund loans to eligible homebuyers, housing developers and businesses at below market interest rates. In calendar year 2005, WHEDA provided funds for the following housing-related purposes: (a) \$566,138,100 for home ownership mortgage loans (mortgage loans for the purchase of homes by low- and moderate-income households); (b) \$75,011,800 for multifamily loans (financing to developers of multifamily projects for low- and moderate-income households); (c) \$16,350,200 for home plus loans (deferred loans for mortgage closing costs); (d) \$1,084,900 for home improvement loans (housing rehabilitation loans to low- and moderate-income households);

(e) \$87,000 for lease purchase loans (loans to local sponsors for the purchase of single-family homes to be leased, with the option to buy, to low-income households; (f) \$247,600 for property tax deferral loans (loans to low-income elderly households for payment of property taxes); and (g) \$800,000 for grants to nonprofit organizations for housing-related purposes.

3. The bill would transfer \$4,000,000 annually from the county aid fund to the affordable housing trust fund. The county aid fund is described in a separate paper. The bill would appropriate \$5,851,300 annually for Commerce housing programs from state sources. The estimated condition of the fund is shown in Table 3. The administration indicates it intends that the \$297,400 that would be transferred to the affordable housing trust fund but not appropriated, would be available for special projects, requests by Commerce in future budget bills, separate legislation, or s. 13.10 requests to the Joint Committee on Finance. Alternatively, this amount could be deleted from the amount transferred to the fund (Alternative B2). On the other hand, if the county aid fund is not adopted, the affordable housing trust fund should also be deleted (Alternative B3). Under this alternative Commerce housing programs would continue to be funded by direct appropriations.

TABLE 3
Affordable Housing Trust Fund, Estimated Balance, SB 40

	<u>2007-08</u>	<u>2008-09</u>
Opening Balance	\$0	\$148,700
Revenue - Transfer from County Aid Fund	<u>4,000,000</u>	<u>4,000,000</u>
Total Available	\$4,000,000	\$4,148,700
Expenditures		
Shelter for homeless and transitional housing grants	2,506,000	\$2,506,000
Housing grants and loans	1,300,300	1,300,300
Mental health for homeless individuals	<u>45,000</u>	<u>45,000</u>
Total expenditures	\$3,851,300	\$3,851,300
Closing Balance	\$148,700	\$297,400

4. Several interested organizations advocated that the 2007-09 budget include an increase of \$1,000,000 per year to address the needs of homeless individuals and families who come to the organizations for emergency shelter, homeless prevention services, and transitional housing assistance. They indicate that the need for homeless services has increased, and that organizations that provide homeless services are struggling to meet that need. They advocate a funding increase for their efforts to meet the needs of homeless persons.

5. The bill would provide an annual increase of \$1,000,000 in the shelter for homeless and transitional housing programs, from \$1,506,000 to \$2,506,000. Currently, the statutes do not specify the allocation of funds between the two programs. For the past 10 years, Commerce has allocated \$375,000 annually for transitional housing grants, and \$1,131,000 for state shelter subsidy grants. The bill would not specify an allocation, and the administration and Commerce have not

indicated how they would allocate the additional funds between the two programs.

6. The transitional housing grant program provides grants to private, nonprofit organizations; community action agencies; and county or municipal governments. The purpose of the grants is to facilitate the movement of homeless persons to independent living. Grants are awarded for operating transitional housing and associated supportive services for homeless persons. To be eligible for a grant under the program, an organization must meet the following statutory requirements: (a) utilize, as transitional housing sites, only existing buildings at scattered sites; (b) facilitate the utilization by residents of appropriate community social services; (c) provide or facilitate the provision of training in self-sufficiency to residents; (d) require that residents pay at least 25% of their income as rent; and (e) permit persons to reside in transitional housing for no longer than 24 months. In 2005-06, transitional housing grants totaling \$375,000 were granted to 28 agencies for the initiation and expansion of transitional housing and services to homeless individuals and families. Funds were awarded to seven agencies in the metropolitan Milwaukee area, 14 agencies in other metropolitan counties in the state (Brown, Dane, Eau Claire, Kenosha, La Crosse, Outagamie, Racine, and Rock Counties), and seven agencies in more rural areas of the state (Bayfield County; a consortium of Barron, Dunn, Pepin, Pierce, Polk and St. Croix Counties; Fond du Lac County; Jackson County; Jefferson County; Portage County; Waupaca County; and Waushara County). Commerce plans to award \$375,000 in 2006-07 funds in May, 2007, as part of a combined grant award process for federal emergency shelter grant and state housing grant and loan funds, for contracts that would be for services performed from July 1, 2007, through June 30, 2008.

7. The state shelter subsidy grant program provides grants to private, nonprofit organizations; for-profit organizations; community action agencies; federally-recognized Native American tribes or bands, housing and community development authorities and county or municipal governments. Grants are awarded for homeless shelter operations (rather than for the actual renovation or construction of a building) and may not exceed 50% of either: (a) the operating costs of the shelter facility or facilities on behalf of which application is being made; or (b) the portion of the applicant's operating budget allocated for providing homeless persons with vouchers to be exchanged for temporary housing. Under current law, Commerce is further required to allocate at least \$400,000 in each year to eligible applicants located in Milwaukee County, at least \$66,500 in each year to eligible applicants in Dane County, and at least \$100,000 in each year to applicants located elsewhere in the state. In December, 2006, Commerce awarded \$1,400,000 in grants to 41 agencies (\$1,131,000 GPR and \$269,000 in revenues from certain earnings on interest-bearing real estate trust accounts required to be remitted by real estate brokers to the state). Commerce plans to hold a funding cycle for 2007-08 shelter subsidy grants in the fall of 2007, with a contract period for services to be provided from January 1, 2008, through December 31, 2008.

8. Commerce officials indicate that, in the last few years, homeless services providers have increasingly focused on provision of housing placement with support services. In 2005-07, Commerce has also combined funds from state and federal funding into a "Homeless Prevention Program." As part of that initiative, Commerce allocated \$1.4 million from state housing grant and loan funds (GPR and PR from WHEDA) for homeless assistance and prevention. Prior to 2005-07,

those funds had been equally available for activities to assist homebuyers, renters, or homeless persons.

9. DOA and Commerce officials indicate that, since funds for the programs have not increased since 1992, and the number of homeless services providers and applications for funds has increased, it is appropriate to increase the amount of state funds provided for the programs. In 2006-07, Commerce received requests for \$2.5 million in state shelter subsidy grants, and awarded \$1.4 million in grants. Transitional housing funds have been combined with other federal and state funds, and, in 2005-06, \$8.0 million in requests were made and \$3.8 million was awarded. Commerce officials also indicate that the number of service providers submitting applications for state shelter subsidy grants has increased from 25 to 41 in the past ten years, and the number of applicants for the combined transitional housing / federal emergency shelter grant competition increased from 63 to 100 during the same time period.

10. Prior to 2005-06, Commerce did not keep separate data on the number of homeless individuals and families for state-funded and federally-funded housing programs. (Commerce is beginning to track information about homelessness through its Wisconsin Service Point (WISP) web-based homeless management information system.) Commerce estimates that, with the combination of federal and state housing funds, it provided assistance to 12,400 homeless individuals and families in 2005-06. Commerce officials estimate that 15,000 individuals and families could be supported annually under the bill, an increase of approximately 2,600. (Milwaukee, Madison and Racine also received direct federal awards for homeless services which are not included in the above numbers.) Commerce estimates that there are approximately 22,300 homeless individuals and 15,800 homeless families in the state.

11. Commerce officials estimate that the number of nights a homeless person has been sheltered with funding from the state shelter subsidy grant program has increased from approximately 370,000 in 1992 to 415,000 in 2006.

12. Some would argue that, since state funding for the homeless services programs has not been increased in 15 years, it should be increased to reflect both increased costs and higher demand seen by local governments and organizations in addressing the problem of homelessness.

13. If the Committee wants to increase the amount of funding above current law levels, it could choose an amount lower than the \$1 million increase provided in the bill. For example, funding for the state shelter subsidy grant program and transitional housing program could be increased by \$500,000 annually (Alternative A2).

14. Others may argue that the current level of state funding is adequate for local homeless assistance and transitional housing programs (Alternative A3).

ALTERNATIVES TO BASE

A. Commerce Housing Funding Level

1. Approve the Governor's recommendation to provide to provide a \$1,000,000 annual increase (to \$2,506,000) annually for the shelter for homeless and transitional housing programs. [Funding for this alternative would be supported either by SEG or GPR, depending on the Committee's decision regarding creation of the county aid fund.]

ALT A1	Change to Bill Funding	Change to Base Funding
SEG	\$0	\$2,000,000

2. Provide an additional \$500,000 annually (total of \$2,006,000) for the shelter for homeless and transitional housing programs. [Funding for this alternative would be supported either by SEG or GPR, depending on the Committee's decision regarding creation of the county aid fund.]

ALT 2	Change to Bill Funding	Change to Base Funding
SEG	-\$1,000,000	\$1,000,000

3. Maintain the current \$1,506,000 annually for shelter for homeless and transitional housing programs. [Funding for this alternative would be supported either by SEG or GPR, depending on the Committee's decision regarding creation of the county aid fund.]

ALT 3	Change to Bill Funding	Change to Base Funding
SEG	-\$2,000,000	\$0

B. Transfer to Affordable Housing Trust Fund

1. Adopt the Governor's recommendation to transfer \$4,000,000 annually from the county aid fund to the affordable housing trust fund under miscellaneous appropriations.

ALT B1	Change to Bill Funding	Change to Base Funding
SEG	\$0	\$8,000,000

2. Reduce the transfer to the affordable housing trust fund by \$148,700 annually (to provide \$3,851,300 annually under the bill, or the amount necessary to fund appropriations under alternative adopted by the Committee).

ALT B2	Change to Bill Funding	Change to Base Funding
SEG	- \$297,400	\$7,702,600

3. Delete the appropriation from the county aid fund to the affordable housing trust fund (Commerce housing programs would continue to be provided by direct appropriation).

ALT B3	Change to Bill Funding	Change to Base Funding
SEG	- \$8,000,000	\$0

Prepared by: Kendra Bonderud